

MISSOURI DOCUMENT

Missouri State Employees'
Retirement System

*A Component Unit of
the State of Missouri*

Comprehensive Annual
Financial Report

*Fiscal Year Ended
June 30, 1997*

Celebrating 40 Years



MOSERS

CORE

*“It is not so much where we stand
as in what direction we are moving . . .
”
. . . we must sail, not drift, not lie at anchor.*

Oliver Wendall Holmes

Celebrating 40 Years

From its inception in 1957, to its current standing in 1997 as one of the 200 largest employee benefit funds in the United States, the Missouri State Employees' Retirement System (MOSERS) has grown dramatically with assets currently totaling almost \$4 billion. As we celebrate our fortieth anniversary, we invite you to join us in taking a glimpse at our past.

Exploring Our Past...

Although the beginnings of public pension plans in the United States date as far back as 1857, the State of Missouri did not develop a system to cover its general employees until 1956. It was that year, when an ambitious and enterprising group of state employees discussed the possibility of starting a retirement plan and requested their colleagues to donate fifty cents if they were interested in participating. An actuarial firm from St. Louis was hired with the proceeds of that fund raising effort to draft legislation which culminated in the creation of MOSERS. Since that time, MOSERS' membership has increased to nearly 80,000 active, terminated vested, and retired participants.

MOSERS was established as a division of the Department of Revenue in 1957, under an act of the 69th General Assembly (HB 188). The Missouri Legislature, however, failed to appropriate any money that year for the operation of the system. Various state departments loaned MOSERS furniture and supplies in the interim and subsidized the salaries of three of the system's five employees until the Legislature reconvened and appropriated money for MOSERS' operation in 1958.

The retirement system was initially established to provide only retirement and disability benefits for state employees not covered under other state retirement plans. Members contributed 4% of their compensation with the state matching that amount. Members were entitled to the standard form of benefit payment – a life income annuity with no other options and could only retire at age 65; or age 60 with 20 years of service and the consent of the employing agency; or if disabled with 15 years of service. The benefit formula was .83% of the 5 year average compensation (\$7,500 maximum) times the number of years of creditable service. The system became noncontributory in 1972 and today offers a benefit formula of 1.6% times the average of the highest 3 years of compensation times creditable service as well as an eligibility provision that allows for retirement as early as age 50 (80 & out). Additional benefit enhancements enacted this year established an unreduced joint and 50% survivor option as the normal form of payment for married members and provided a permanent fix to the cost-of-living adjustment (COLA), so that retirees may continue to receive COLAs throughout their lifetimes.

MOSERS' first investment transaction occurred in November, 1957 when a single outside advisor placed \$100,000 in ninety-day U.S. Treasury Bills on behalf of plan participants. As of June 30, 1997, the MOSERS' fund was being managed by a combination of twelve outside advisors and six internal investment professionals. In fiscal year 1997 alone, the fund grew by over \$692 million, a remarkable amount when considering that it took the fund over 28 years to reach its first \$700 million in assets.

The original retirement staff was comprised of five employees who maintained all records with posting and bookkeeping machines. All checks were written, protected and signed by hand. By 1962, the Comptroller's Office had made a data processing change which required the retirement system to keypunch records. Today, MOSERS employs nearly sixty employees and, using an IBM AS400 in combination with high end workstations, provides all computer support for the retirement, life insurance and long term disability programs. Documents related to member records are maintained using an optical disk image system.

MOSERS' office space was also initially provided by the Comptroller – a three room office on the first floor of the State Capitol. Supplemental basement space was provided in 1965 when the system acquired its first computer. Legislation enacted in 1973, however, removed the system from the Department of Revenue and MOSERS was asked to vacate the Capitol offices. To ease the transition, the computer was left in the Capitol basement while staff worked out of four motel rooms at the Veits Village Motel until construction of a new facility on Leslie Boulevard was completed in April, 1974. MOSERS purchased an adjacent building at that site in 1985 and later combined both facilities (900 & 906 Leslie) to become one office. Today, construction is underway on a new more customer friendly office building that is slated for occupancy in early 1998.

A Special Dedication...



As we celebrate our fortieth anniversary, we also commemorate the contributions of Rosemary Eppenanuer, MOSERS' former Assistant Executive Director. Rosie opened the doors on MOSERS' first day of business in 1957 and dedicated almost forty years of her life to serving our membership until her retirement in 1996. Rosie's high degree of professionalism, and her enduring commitment to employees and retirees alike, will long be remembered.

A New Direction...

And so, our journey continues. Although we have paused for a moment to reflect on our past, we look forward with great anticipation to charting a new course for our future. Borrowing from the words of Oliver Wendell Holmes, "It is not so much where we stand as in what direction we are moving...we must sail, not drift, not lie at anchor."

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Missouri State Employees' Retirement System

A Component Unit
of the State of Missouri

Comprehensive Annual
Financial Report
Fiscal Year Ended June 30, 1997

Gary Findlay
Executive Director

Gary Irwin
Chief Financial Officer

906 Leslie Boulevard, P.O. Box 209
Jefferson City, Missouri 65101
(573) 751-2342 or 1-800-827-1063

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* Missouri State Employees' Plan

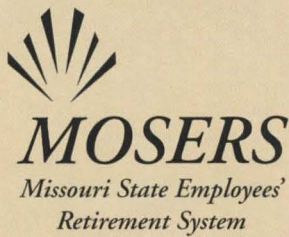
** Administrative Law Judges' and Legal Advisors' Plan



Introductory Section







Board of Trustees

*Thomas Hodges
Chairman*

*Bob Holden
Vice Chairman*

Joseph Bednar

Rep. Richard Franklin

Richard Hanson

Janette Lohman

Donald Martin

Bryan Ornburn

Sen. John Russell

Sen. John Scott

Rep. Bill Skaggs

*Gary Findlay
Executive Director*

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Jefferson City, Missouri 65102
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(800) 573-2966 (TT)*

*Gary Findlay
Executive Director*

September 1, 1997

The Board of Trustees
Missouri State Employees' Retirement System
Jefferson City, MO 65101

Dear Board Members:

It is with particular pleasure that I submit this year's annual report of the Missouri State Employees' Retirement System (MOSERS), as it was on this date forty years ago that the System's doors first opened for business. From meager beginnings, MOSERS has grown dramatically in its primary role of serving as a significant source of retirement income for thousands of former state employees. While it might typically be difficult to identify any individual deserving of special recognition in connection with an organization's fortieth anniversary, in our case it was quite easy – during the years from our first day of operation, until her retirement last September, Assistant Executive Director Rosemary Eppenauer's name had become synonymous with MOSERS. The extreme degree to which Rosie cared about the System and its members was obvious to all who came in contact with her. We dedicate this report to Rosie and wish her only the best as she joins the ranks of those she served so well.

Report Contents and Structure

MOSERS is considered a component unit of the State of Missouri for financial reporting purposes and, as such, the financial statements contained in this report are also included in the State of Missouri Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of the management of MOSERS and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. The report is also designed to comply with the reporting requirements of Sections 104.480 and 105.661 of the Revised Statutes of Missouri (RSMo) as amended. For ease of use, the report has been divided into the following five sections:

- ◆ The Introductory Section which contains general information regarding the operations of MOSERS.
- ◆ The Financial Section which contains the financial statements, schedules, and supplementary financial information regarding the funds administered by MOSERS.
- ◆ The Investment Section which contains information pertaining to the management of the investments of the pension trust funds.
- ◆ The Actuarial Section which contains information regarding the financial condition and financial position of the retirement plans administered by the System.
- ◆ The Statistical Section which contains general statistical information regarding System participants and finances.

Summary of Financial Information

The following schedule presents the pension trust funds additions and deductions for the years ended June 30, 1997 and June 30, 1996.

	June 30, 1997	June 30, 1996
Additions	\$ 816,173,392	\$ 603,411,731
Deductions	(143,671,618)	(152,576,664)
Net Increase	\$ 672,501,774	\$ 450,835,067

The additions increased by \$212,761,661 primarily as the result of increased appreciation of the fair value of investments of \$201,863,887, and increased contributions of \$12,040,613. The deductions decreased by \$8,905,046, primarily as the result of a nonrecurring legal expense of \$23,148,000 paid in the year ended June 30, 1996, a decrease of \$1,138,308 in administrative expenses, and an increase of \$11,839,674 in benefit payments.

The following schedule presents a summary of the revenues and expenses of the Internal Service Fund (insurance activity) for the years ended June 30, 1997 and June 30, 1996.

	June 30, 1997	June 30, 1996
Operating revenues	\$ 16,635,532	\$ 14,507,138
Operating expenses	(16,619,123)	(15,428,604)
Nonoperating revenues	50,608	81,687
Net revenues over (under) expenses	\$ 67,017	\$ (839,779)

Operating revenues increased by \$2,128,394, primarily as the result of an increase of \$2,145,599 in premium receipts. Operating expenses increased by \$1,190,519 primarily as the result of an increase of \$1,156,047 in premium disbursements. Nonoperating revenues decreased \$31,079 as the result of the decrease in investment income attributable to the reduction in accumulated retained earnings of the internal service fund that occurred in the year ended June 30, 1996.

Plan Financial Condition

The funding objective of MOSERS' pension trust funds is to meet long-term benefit promises through contributions which remain approximately level as a percent of member payroll over decades of time. Historical information relating to progress in meeting this objective is presented on pages 31-34. During the year ended June 30, 1997, the funded ratio of the Missouri State Employees' Plan, which covers 78,543 participants, decreased from 85.1% to 79.9%, primarily as the result of legislation which expanded survivor benefit coverage and which made post retirement cost-of-living adjustments (COLAs) payable for life. The funded ratio of the Administrative Law Judges' and Legal Advisors' Plan, which covers 78 participants, increased from 70.6% to 77.6%, primarily as the result of favorable plan experience. Additional information regarding the financial condition of the pension trust funds can be found in the actuarial section of this report.

Investment Activity

During the year ended June 30, 1997, MOSERS' pension trust fund investments produced a total return of 20.1%, net of fees, which for the third straight year placed the fund in the upper 40% of its peer universe. During the year, the fund initiated an allocation of 2.5% to emerging country international stocks, hiring a London based advisor to manage this allocation. In addition, the domestic fixed income

allocation was increased by 2.5%. These allocations were enabled by the elimination of the 5% allocation to real estate. The fund continued to expand the internal management program when a corporate bond index portfolio was transferred to internal staff. Additional detail regarding this and other investment activity of the fund may be found in the Investment Section of this report.

Legislation Enacted

During the 1997 Legislative Session

1997 is a year that will long be remembered in MOSERS' history by virtue of the significant legislative changes that were enacted with the passage of House Bill 356. The availability of the unreduced joint and 50% survivor option to general employees reflects great progress toward providing benefit equity for all state employees and the permanent COLA fix will end the practice of deferring COLA costs to future generations through changes which only address the problem in the short term. These modifications, as well as the expansion of insurance coverage that is available through the optional life program, constitute what is probably the most comprehensive MOSERS' legislation to be enacted in recent years. These provisions, as well as other substantive plan changes, are described in detail on page 88 of this report.

Many individuals and groups deserve credit for the successful pursuit of this legislation. The broad based support that we were able to garner seemed to be very beneficial in promoting the legislation on the basis of its merits and in addressing concerns about the costs of the proposals.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MOSERS for its comprehensive annual financial report for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) conforming to program standards.

The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. MOSERS has received a Certificate of Achievement for the last eight consecutive years (fiscal years ended 1989 - 1996). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for evaluation.


Conclusion

This report is a product of the combined efforts of the MOSERS' staff and advisors functioning under your leadership. It is intended to provide complete and reliable information which will facilitate the management decision process, serve as a means for determining compliance with legal requirements, and allow for the evaluation of responsible stewardship of the funds of the System. As in the past, MOSERS received an unqualified opinion from our independent auditors on the financial statements included in this report. The opinion of the independent auditors can be found on page 20.

Copies of this report are provided to the Governor, the State Auditor, the Joint Committee on Public Employee Retirement of the General Assembly, and all state agencies. These agencies form the link between MOSERS and its members — their cooperation contributes significantly to the success of MOSERS. We hope that all recipients of this report find it to be both informative and useful.

I would like to take this opportunity to express my gratitude to you, to the staff, to the advisors, to the Governor's Ad Hoc Task Force on Total Compensation, and to the other people who have worked so diligently to assure the continued successful operation of the System.

Respectfully submitted,



Gary Findlay
Executive Director



Board of Trustees

*Thomas Hodges
Chairman*

*Bob Holden
Vice Chairman*

Joseph Bednar

Rep. Richard Franklin

Richard Hanson

Janette Lohman

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Bryan Ornburn

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(800) 573-2966 (TT)*

*Thomas Hodges
Board Chairman*

September 1, 1997

Dear MOSERS' Members:

On behalf of the members of the Board of Trustees, I am pleased to present the MOSERS' Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 1997. This report is our equivalent of a yearly report to our shareholders – the plan participants. All state employees who are members of MOSERS, together with current retirees, and terminated vested members, have large financial interests in their future or present MOSERS' retirement benefits. A key objective in preparing this report is to provide sufficient information to allow plan members and all other interested parties to develop an informed opinion about the financial position and financial condition of the System.

During the most recent fiscal year, MOSERS surpassed the excellent investment returns of the previous two years by posting a total return of 20.1%, net of fees. While especially pleased with this performance, the Board of Trustees continues to remain focused on maximizing investment return while minimizing risk. Toward that end, the Board took additional steps during this period to further diversify the investment portfolio through the addition of an emerging market manager and a slight change in the asset allocation targets. We are confident that these measures place the fund in the best position to capture upward movements in the markets, while at the same time protecting it from declines in specific asset classes.

In regard to benefits, the Board, working in concert with the Ad Hoc Task Force on Total Compensation, supported House Bill 356, which was signed into law by Governor Carnahan. This legislation allows for a permanent yearly cost-of-living adjustment (COLA) for every MOSERS' retiree, and also extends the unreduced joint and 50% survivor option to all future retirees and most present retirees. These changes were identified through a benefit adequacy study that was commissioned by the Board two years ago as being the benefit areas requiring the most immediate attention. Accordingly, we are very pleased and appreciative that a legislative remedy was enacted this year.

The Board of Trustees' membership changed during this past year with the departure of Brad Ketcher and the addition of Joe Bednar. We appreciate Brad's contribution and look forward to working with Joe in the future. As Chairman, I have enjoyed the opportunity of serving with the high caliber of trustees currently in office and the System has benefited greatly from their dedication.

As noted in the Executive Director's letter on the preceding pages, this report is dedicated to MOSERS' former Assistant Director, Rosemary Eppenauer, who retired in September of 1996. Rosie's longtime concern for the plan participants, coupled with her devotion to her coworkers, made her an exemplary role model for all of MOSERS' employees. The quality service that Rosie helped establish at MOSERS remains strong and is her legacy to the System.

In closing, I wish to thank the staff at MOSERS for continuing to maintain a high level of commitment and service to our customers – the MOSERS' plan participants. If, after reviewing this report you have any questions or comments for the staff or the Board of Trustees, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65101, (800) 827-1063.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas F. Hodges". The signature is fluid and cursive, with a large initial "T" and "H".

Thomas Hodges, Chairman
Board of Trustees

Board of Trustees

Standing left to right

Donald Martin

Associate Professor of Accounting
Central Missouri State University
Elected Active Member

Benefits Committee

Investment Oversight Committee

Bryan Ornburn

Elected Retired Member

Benefits Committee

Investment Committee

Operations Committee

Thomas Hodges

Chairman

Probation Officer

Probation and Parole

Elected Active Member

Representative Bill Skaggs

House of Representatives' Member

Benefits Committee

Investment Committee ★

Investment Oversight Committee

Joseph Bednar

Governor's Office

Governor Appointed Member

Benefits Committee

Operations Committee

Senator John Russell

Senate Member

Operations Committee ★

Investment Committee





Seated left to right

Janette Lohman
Director, Department of Revenue
Governor Appointed Member
Operations Committee
Investment Oversight Committee

Bob Holden
Vice Chairman
State Treasurer
Ex-Officio Member
Investment Committee
Investment Oversight Committee ★
Operations Committee

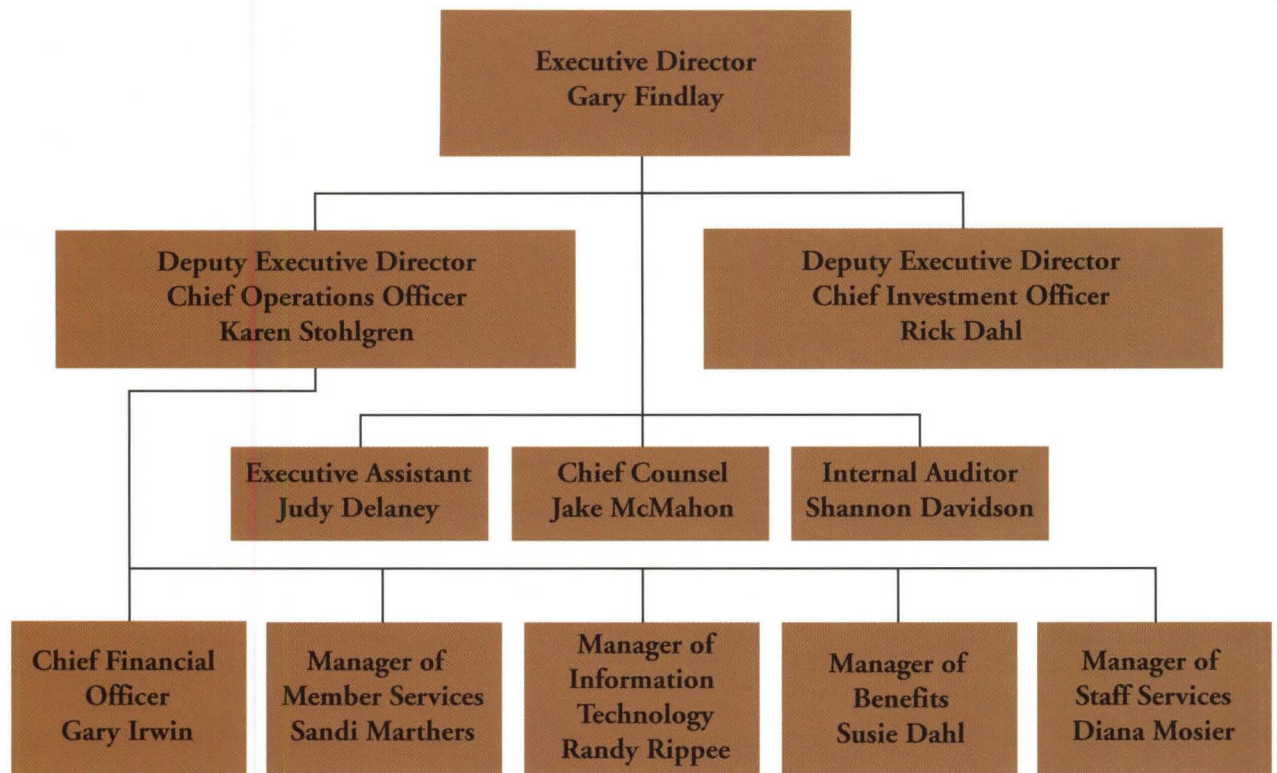
Richard Hanson
Commissioner of Administration
Ex-Officio Member
Benefits Committee
Investment Committee
Investment Oversight Committee

Representative Richard Franklin
House of Representatives' Member
Benefits Committee ★
Investment Committee
Operations Committee

Not pictured

Senator John Scott
Senate Member
Investment Committee
Investment Oversight Committee

★ Denotes committee chairman



Administrative Staff
pictured left to right:

Judy Delaney
Gary Irwin
Sandi Marthers
Rick Dahl
Shannon Davidson
Karen Stohlgren
Jake McMahon
Gary Findlay
Diana Mosier
Randy Rippee
Susie Dahl



About MOSERS

The Missouri State Employees' Retirement System (MOSERS), established September 1, 1957, is governed by the statutes of the State of Missouri.

Purpose

MOSERS provides retirement, survivor and disability benefits, and life insurance to its members.

MOSERS administers retirement benefits for most State employees, including members of the Water Patrol, members of the General Assembly, and Statewide Elected Officials. MOSERS is responsible for administering the law in accordance with the expressed intent of the General Assembly and bears a fiduciary obligation to the State employees who are its members and beneficiaries.

Mission

To play an integral role in the future financial security of plan participants by promptly and courteously delivering quality benefits and information which members value and trust through professional plan administration and prudent management of System assets.

Administration

The statutes provide that the administration of MOSERS shall be vested in an eleven member Board of Trustees. The Board is comprised of:

- ◆ Two members of the Senate, appointed by the President Pro Tem of the Senate;
- ◆ Two members of the House, appointed by the Speaker of the House;
- ◆ Two members appointed by the Governor;
- ◆ Three other members of the system, two active members elected by the active and terminated vested members and one retiree, elected by the retired members;
- ◆ The State Treasurer; and
- ◆ The Commissioner of Administration.

The day to day management of MOSERS is delegated to the Executive Director who is appointed by the Board and serves at its pleasure. The Executive Director acts as advisor to the Board on all matters pertaining to the System and, with the approval of the Board, contracts for professional services and employs the remaining staff needed to operate the System.

Organization

The Executive Director, Deputy Executive Director – Chief Operations Officer, and the Deputy Executive Director – Chief Investment Officer, are responsible for planning, organizing and administering the operations of the system under the broad policy guidance and direction of the Board.

MOSERS' office is divided into six administrative sections that perform specific functions for the system.

Executive Services

The Executive Services team provides administrative support by assisting the Executive Director and Chief Operations Officer in the major legal, operational, and oversight functions of the retirement, benefit, and communication programs.



Denise Weaver, Shannon Davidson, Karen Stohlgren,
Jake McMahon, Gary Findlay, Tracy Upschulte, Judy Delaney

Accounting

This section is responsible for all financial records of the programs administered by MOSERS, including the preparation of financial and statistical reports. Accounting performs the purchasing functions for MOSERS and interfaces with the investment consultant, investment managers, Office of Administration accounting, various payroll/personnel departments and accounting offices of life insurance companies, actuaries, banks and the IRS.



Melissa Holzbierlein, Gary Irwin
Martha Francis, Bob Morris

Benefit Services

Benefit Services is responsible for all direct contact with the membership regarding MOSERS' benefit programs. This section communicates information on all of the benefit programs administered by MOSERS including retirement, life and long-term disability.



Pam Henry, Bette Rovik, Scott Simon, Marc Webb, Becky Wolfe
Susie Dahl, Gary Hollis, Steve Seibold, Anne Rapp
Not pictured: Paul Rockers

Information Technology

Utilizing an IBM AS400 minicomputer and high end workstations, information technology provides all computer and technical design support for MOSERS' programs. This group is responsible for establishing and updating computer programs to implement plan changes and also maintains members' folder information on FileNet – an optical disk image system that allows information to be stored and processed using computer displayed images of original documents. Information technology is also responsible for administration of the personal computer network.



Kawajalyn Simmons, Gary Huringer, Mark Howard, Randy Rippee
Barbara Bosch, Randy Woods, Louis Bremer, Michelle Shikles
Not pictured: Karen Raithe

Investments

The investment staff provides internal investment management and consulting services to the Board and the Executive Director. The primary functions of staff include analyzing and rebalancing the overall asset allocation and portfolio structure; managing portions of the portfolio; providing technical advice;

screening and monitoring external managers; serving as a liaison to the investment community; and informing and advising the Board and Executive Director on financial, economic and political developments which may affect the System. The investment staff also works with the asset consultant on a project specific basis.



W.D. Allen, Karen Holterman, Pat Neylon
Rick Dahl, John Brandt, Jim Mullen, Angela Swanigan

Member Services

Member Services is responsible for establishing and maintaining all membership records – including maintenance of the data on the electronic imaging system, balancing payroll deductions for insurance and verification of all payroll, service and leave data which is entered into the System's computerized data base.



Hazel Bledsoe, Juanita Libbert, Lori Bentlage, Sally Hager,
Sandi Marthers, Wanda Verdot, Angela Bashore
Beverly Murphy, Gina Kunz

Staff Services

Staff Services provides all clerical support to MOSERS' personnel. Human resources is also represented in this section.



Maggie Rush, Jeff Goins, Diana Mosier, Jerry Hihn, Vanessa Serio
Not pictured: Lori Leeper, Betty Sutterfield

Professional Services

Actuary

Gabriel, Roeder, Smith & Co.
Actuaries and Consultants
 Tom Cavanaugh
 Mike Falco
 Northport, New York

Auditors

KPMG Peat Marwick LLP
Certified Public Accountants
 Karyn Molnar
 Ted Flom
 St. Louis, Missouri

Master Trustee/Custodian

Bankers Trust Company
of the Southwest
 Douglas Womack
 Houston, Texas

Equity Investment Advisors

American Re Asset Management
 Patrick Tuohy
 Sandi Sweeney
 Florham Park, New Jersey

Bankers Trust Company
Global Investment Management
 Rick Vella
 New York, New York

Capital Guardian Trust
 Mike Nyeholt
 Mike Erickson
 Los Angeles, California

Conning Asset Management
 Doug Koester
 Lisa Longo
 St. Louis, Missouri

Equity Investment Advisors Con't.

Investment Advisers, Inc.
 Noel Rahn
 Minneapolis, Minnesota

Kennedy Capital Management
 Richard Anderson
 Dick Sinise
 St. Louis, Missouri

Morgan Grenfell
Investment Services Limited
 Jack Gastler
 Neil Jenkins
 London, England

Silchester International Investors
 Christopher Cowie
 Stephen Butt
 London, England

Wilshire Associates, Inc.
 Mike Napoli Jr.
 Tom Stevens
 Santa Monica, California

Woodford Gayed Management, Inc.
 Peggy Woodford Forbes
 Michael Gayed
 New York, New York

Zak Capital, Inc.
 Suzanne Zak
 Minneapolis, Minnesota

Fixed Income Investment Advisors

Black Rock
Financial Management, Inc.
 Hugh Frater
 Keith Anderson
 New York, New York

Fixed Income
Investment Advisors Con't.

Boatmen's Trust Company
 Frank Aten
 Tony Brown
 St. Louis, Missouri

Hoisington Investment
Management Company
 Van Hoisington
 Austin, Texas

Venture Capital Investment Advisor

Brinson Partners, Inc.
 Bart Holaday
 T. Bondurant French
 Chicago, Illinois

Investment Management Consultant

Summit Strategies, Inc.
 Steve Holmes
 Charlie Holmes
 St. Louis, Missouri

Legal Counsel

Thompson Coburn
Attorneys at Law
 Allen Allred
 Tom Litz
 St. Louis, Missouri

Risk Management Consultant

Charlesworth & Associates
 Art Charlesworth
 Bob Charlesworth
 Overland Park, Kansas



Financial Section





Peat Marwick LLP

Certified Public Accountants

1010 Market Street
St. Louis, MO 63101-2085

August 19, 1997

The Board of Trustees
Missouri State Employees' Retirement System:

We have audited the financial statements of the Missouri State Employees' Retirement System's pension trust and internal service funds as of and for the year ended June 30, 1997, as listed in the accompanying table of contents. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the Missouri State Employees' Retirement System's pension trust funds present fairly, in all material respects, the plan net assets as of June 30, 1997, and the related changes in plan net assets for the year then ended in conformity with generally accepted accounting principles. Also in our opinion, the financial statements of the Missouri State Employees' Retirement System's internal service fund present fairly, in all material respects, its financial position as of June 30, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules of funding progress and employer contributions on pages 31 through 34 are not a required part of the basic financial statements of the Missouri State Employees' Retirement System, but are required by the Governmental Accounting Standards Board. The supplementary information included in pages 35 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Missouri State Employees' Retirement System. Such information, included on pages 31 through 39, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG Peat Marwick LLP



Member Firm of
Klynveld Peat Marwick Goerdeler

Missouri State Employees' Retirement System

Statements of Plan Net Assets**Pension Trust Funds**

As of June 30, 1997

	Missouri State Employees' Plan	Administrative Law Judges' and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
Assets				
Cash and short-term investments	\$ 139,193,566	\$ 343,575	\$ 0	\$ 139,537,141
<u>Receivables</u>				
State contributions	12,251,718	54,057	0	12,305,775
State reimbursements	0	0	880,463	880,463
Due from other plan	880,463	0	0	880,463
Investment income	21,952,666	54,186	0	22,006,852
Investment sales	188,784,618	465,982	0	189,250,600
Other	50,378	124	0	50,502
Total receivables	223,919,843	574,349	880,463	225,374,655
<u>Investments at fair value</u>				
U.S. Treasury securities	563,779,787	1,391,594	0	565,171,381
Corporate bonds	235,250,994	580,677	0	235,831,671
Government bonds & Gov't mortgage backed securities	291,201,680	718,781	0	291,920,461
Real estate mortgages	3,312,863	8,177	0	3,321,040
Real estate equity	6,825,535	16,848	0	6,842,383
Common stocks	1,915,962,993	4,729,226	0	1,920,692,219
International EAFE index fund	311,049,558	767,772	0	311,817,330
Preferred stocks	3,327,132	8,212	0	3,335,344
Convertible bonds	1,559,152	3,848	0	1,563,000
Venture capital	509,217	1,257	0	510,474
Closed end real estate fund	4,706,335	11,617	0	4,717,952
Guaranteed investment contracts	14,850,212	36,655	0	14,886,867
Collateralized mortgage obligations	30,721,875	75,832	0	30,797,707
Foreign currencies	3,145,777	7,765	0	3,153,542
International equities	409,364,291	1,010,446	0	410,374,737
U.S. dollar denominated international corporate bonds	13,503,614	33,331	0	13,536,945
Total investments	3,809,071,015	9,402,038	0	3,818,473,053
Invested securities lending collateral	361,798,253	893,037	0	362,691,290
<u>Fixed assets</u>				
Land	191,527	473	0	192,000
Building in progress	570,739	1,409	0	572,148
Building and building improvements	1,191,728	2,942	0	1,194,670
Furniture, fixtures, and equipment	1,767,632	4,363	0	1,771,995
	3,721,626	9,187	0	3,730,813
Accumulated depreciation	(1,573,445)	(3,884)	0	(1,577,329)
Total fixed assets	2,148,181	5,303	0	2,153,484
Prepaid expenses and other	18,470	46	0	18,516
Total assets	4,536,149,328	11,218,348	880,463	4,548,248,139
Liabilities				
Administrative expense payables	1,832,196	4,522	0	1,836,718
Due to other plan	0	0	880,463	880,463
Investment purchases	251,691,345	621,257	0	252,312,602
Securities lending collateral	361,758,656	892,939	0	362,651,595
Real estate security deposits	47,501	117	0	47,618
Employee vacation liability	113,028	279	0	113,307
Total liabilities	615,442,726	1,519,114	880,463	617,842,303
Net assets held in trust for pension benefits	\$ 3,920,706,602	\$ 9,699,234	\$ 0	\$ 3,930,405,836

(A schedule of funding progress for each plan is presented on page 31.)

See accompanying Notes to the Financial Statements.

Missouri State Employees' Retirement System

Statements of Changes in Plan Net Assets

Pension Trust Funds

Year Ended June 30, 1997

	Missouri State Employees' Plan	Administrative Law Judges' and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
Additions				
<u>Contributions</u>				
State contributions	\$ 146,383,371	\$ 652,709	\$ 0	\$ 147,036,080
Member purchases of service credit	640,590	0	0	640,590
State reimbursement of non-funded benefits	0	0	10,450,270	10,450,270
Employer contributions service transfers	2,238,691	0	0	2,238,691
Total contributions	149,262,652	652,709	10,450,270	160,365,631
<u>Investment income</u>				
<i>From investing activities</i>				
Net appreciation in fair value of investments	533,587,586	1,317,069	0	534,904,655
Interest	75,324,398	185,925	0	75,510,323
Dividends	46,297,139	114,276	0	46,411,415
Real estate operating income, net	883,441	2,181	0	885,622
Venture capital income	2,184,126	5,391	0	2,189,517
Class action proceeds	145,358	359	0	145,717
Total investing activity income	658,422,048	1,625,201	0	660,047,249
Investment activity expenses:				
Management fees	(5,105,268)	(12,601)	0	(5,117,869)
Custody fees	(389,164)	(961)	0	(390,125)
Consultant fees	(164,594)	(406)	0	(165,000)
Performance measurement fees	(84,953)	(210)	0	(85,163)
Total investment activity expenses	(5,743,979)	(14,178)	0	(5,758,157)
Net income from investing activities	652,678,069	1,611,023	0	654,289,092
<i>From securities lending activities</i>				
Securities lending income	15,624,458	38,566	0	15,663,024
Securities lending expenses:				
Borrower rebates	(13,858,043)	(34,206)	0	(13,892,249)
Management fees	(486,219)	(1,200)	0	(487,419)
Total securities lending expenses	(14,344,262)	(35,406)	0	(14,379,668)
Net income from securities lending activities	1,280,196	3,160	0	1,283,356
Total net investment Income	653,958,265	1,614,183	0	655,572,448
<u>Other income</u>				
Legal settlement income	221,696	0	0	221,696
Miscellaneous income	13,583	34	0	13,617
Total additions	803,456,196	2,266,926	10,450,270	816,173,392
Deductions				
Benefits	126,941,341	616,859	10,450,270	138,008,470
Contribution refunds	102	0	0	102
Service transfer payments	2,091,233	0	0	2,091,233
Administrative expense	3,563,018	8,795	0	3,571,813
Total deductions	132,595,694	625,654	10,450,270	143,671,618
Net increase	670,860,502	1,641,272	0	672,501,774
Net assets held in trust for pension benefits				
Beginning of year	3,249,846,100	8,057,962	0	3,257,904,062
End of year	\$ 3,920,706,602	\$ 9,699,234	\$ 0	\$ 3,930,405,836

See accompanying Notes to the Financial Statements.

Missouri State Employees' Retirement System
Balance Sheet
Internal Service Fund
 As of June 30, 1997

Assets

Premiums receivable	\$ 1,312,359
Investments at cost	467,529
Total assets	<u>1,779,888</u>

Liabilities and retained earnings

Liabilities

Premiums payable	1,481,993
Employee vacation liability	10,540
Checks outstanding net of deposits	1,178
Other	<u>51,449</u>
Total liabilities	<u>1,545,160</u>

Retained earnings

	<u>234,728</u>
Total liabilities and retained earnings	<u>\$ 1,779,888</u>

See accompanying Notes to the Financial Statements.

Missouri State Employees' Retirement System
Statement of Revenues, Expenses, and Changes in Retained Earnings
Internal Service Fund
Year Ended June 30, 1997

Operating revenues

Premium receipts	\$ 16,255,848
Miscellaneous income	<u>379,684</u>
Total operating revenues	<u>16,635,532</u>

Operating expenses

Premium disbursements	16,200,297
Premium refunds	55,550
Administrative expenses	<u>363,276</u>
Total operating expenses	<u>16,619,123</u>
Operating revenues over operating expenses	<u>16,409</u>

Nonoperating revenues

Investment income	<u>50,608</u>
Net revenues over expenses	<u>67,017</u>
Retained earnings July 1, 1996	<u>167,711</u>
Retained earnings June 30, 1997	<u>\$ 234,728</u>

See accompanying Notes to the Financial Statements.

Missouri State Employees' Retirement System
Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 1997

Cash flows from operating activities

Cash received from employer and members	\$ 15,745,461
Other miscellaneous income	346,448
Premium payments to outside carriers	(16,086,849)
Refunds of premiums to members	(55,299)
Cash payments to employees for services	(195,834)
Cash payments to other suppliers of goods and services	(144,421)
Net cash used in operating activities	<u>(390,494)</u>

Cash flows from noncapital financing activities

Implicit funding of checks outstanding net of deposits	1,178
Implicit repayment of prior years checks outstanding net of deposits	(2,001)
Net cash used by noncapital financing activities	<u>(823)</u>

Cash flows from investing activities

Purchase of investment securities	(231,633,935)
Proceeds from sale and maturities of investment securities	231,974,644
Cash received from investment income	50,608
Net cash provided by investing activities	<u>391,317</u>
Net increase in cash	<u>0</u>
Cash balances July 1, 1996	<u>0</u>
Cash balances June 30, 1997	<u>\$ 0</u>

***Reconciliation of operating revenues
over expenses to net cash used
in operating activities***

Operating revenues over expenses	\$ 16,409
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Adjustments to reconcile operating revenues under
expenses to net cash used in operating activities:

Change in assets and liabilities:	
Increase in operational accounts receivable	(511,255)
Increase in operational accounts payable	104,352
Total adjustments	<u>(406,903)</u>
Net cash used in operating activities	<u>\$ (390,494)</u>

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements

Year Ended June 30, 1997

1) Plan Descriptions**Missouri State Employees' Plan**

The Missouri State Employees' Plan (MSEP) is a single-employer, public employee retirement plan administered in accordance with Sections 104.010 and 104.312 to 104.800 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, "The Missouri State Employees' Retirement System shall be a body corporate and an instrumentality of the state. In the System shall be vested the powers and duties specified in Sections 104.010 and 104.320 to 104.800 and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.320 to 104.800."

Responsibility for the operation and administration of the System is vested in the Missouri State Employees' Retirement System (MOSERS) Board of Trustees. Due to the nature of MOSERS' reliance on funding from the State of Missouri and the overall control of the plan document by the legislative and executive branches of State government, the MSEP is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund.

Substantially all full-time State employees who are not covered under another State-sponsored retirement plan are eligible for membership in MSEP. On June 30, 1997, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits		15,609
Terminated employees entitled to but not yet receiving benefits		10,197
Active:		
Vested	32,167	
Non-vested	20,570	52,737
Total membership		<u>78,543</u>

MSEP provides retirement, death and disability benefits to its members. Benefits for general State employees are fully vested after 5 years of creditable service (4 years for statewide elected officials and 6 years for legislators). Employees may retire at or after age 55 and receive a reduced benefit (or full benefits if they are at least age 50 and their combined age and service equal 80). Cost-of-living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a floor of 4%, a ceiling of 5%, not to exceed a cumulative cap of 65%. Qualified terminated vested members may make a onetime election to receive the present value of their benefit in a lump sum payment. To qualify, a member

must have terminated employment on or after 10/1/84 with at least 5 but less than 10 years of service and be less than age 60 (50 for legislators and uniformed water patrol officers).

The State of Missouri is required to make all contributions to the MSEP. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest, are refundable to the member or designated beneficiaries.

Administrative Law Judges' and Legal Advisors' Plan

The Administrative Law Judges' and Legal Advisors' Plan (ALJLAP) is a single-employer, public employee retirement plan administered in accordance with Sections 287.812 to 287.856, RSMo. Responsibility for the operation and administration of the System is vested in the MOSERS' Board of Trustees. Due to the nature of MOSERS' reliance on funding from the State of Missouri and the overall control of the plan document by the legislative and executive branches of State government, the ALJLAP is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund.

Individuals appointed or employed as Administrative Law Judges or Legal Advisors of the Division of Workers' Compensation, members of the Labor and Industrial Relations Commission and their attorney or legal counsel, and members of the State Board of Mediation are eligible for membership in ALJLAP.

ALJLAP provides retirement, death and disability benefits to its members. Employees who retire on or after age 65 with 12 or more years of creditable service or age 55 with 20 years of creditable service are eligible for a monthly retirement benefit equal to one-half of the average highest 12 consecutive months of salary received during the period of service. Employees with less than 12 years of service are eligible for a reduced benefit upon retirement. COLAs are provided annually based on 80% of the change in the CPI with a floor of 4%, a ceiling of 5%, not to exceed a cumulative cap of 65%. The State of Missouri is required to make all contributions to the ALJLAP. On June 30, 1997, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits		21
Terminated employees entitled to but not yet receiving benefits		12
Active:		
Vested	45	
Non-vested	0	45
Total membership		<u>78</u>

Judicial Plan

The Judicial Plan is a single-employer, public employee retirement plan administered in accordance with Sections 476.445 to 476.690, RSMo. Responsibility for the operation and administration of the System is vested in the MOSERS' Board of Trustees. Due to the nature of MOSERS' reliance on the reimbursement of benefits paid from the State of Missouri and the overall control of the plan document by the legislative and executive branches of State government, the Judicial Plan is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund. The Judicial Plan provides retirement, death and disability benefits to those serving as judges in the State of Missouri. Retirement benefits for members of the judiciary are administered and paid by MOSERS. Amounts paid are reimbursed monthly from appropriations of State funds and are not obligations of MOSERS. Beginning July 1, 1998, the Judicial Retirement Plan will be funded on an actuarial basis.

Judges are eligible to retire at age 62 with 12 years of creditable service or age 60 with 15 years of creditable service with benefits equal to one-half of the average monthly compensation of the highest judicial position held during the period of service. COLAs are provided annually based on 80% of the change in the CPI with a floor of 4%, a ceiling of 5%, not to exceed a cumulative cap of 65%. On June 30, 1997, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits		333
Terminated employees entitled to but not yet receiving benefits		64
Active:		
Vested	365	
Non-vested	0	365
Total membership		<u>762</u>

Missouri State Insurance Plan

The Missouri State Insurance Plan is accounted for as an internal service fund of the State of Missouri and is administered by MOSERS. It provides basic life insurance for eligible members of the Missouri State Employees' Retirement System (except employees of the Department of Conservation, Highway Department, Highway Patrol, and State Colleges and Universities), members of the Judicial Retirement Plan, members of the ALJLAP, legislators, statewide elected officials, and certain members of the Public School Retirement System; and Optional Life insurance for active employees and retirees who are eligible for basic coverage. Beginning January 1, 1996, employees of the

Department of Labor and Industrial Relations were also provided the basic and optional life insurance. Beginning January 1, 1986, eligible members were covered by the Long-Term Disability Plan. Due to the nature of MOSERS' reliance on funding from the State of Missouri and the overall control of the plan document by the legislative and executive branches of State government, the Missouri State Insurance Plan is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as an internal service fund.

2) Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements of the MSEP, ALJLAP, Judicial Plan, and Missouri State Insurance Plan were prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. The direct method of reporting cash flows is used. For its proprietary activities, MOSERS applies all FASB statements and interpretations that do not conflict with or contradict GASB pronouncements.

Cash

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested, thus causing a possible negative book balance. The negative book balance has been reflected in the liabilities section of the balance sheet of the Internal Service Fund. The negative book balance has been included in the cash and short-term investments on the Statements of Plan Net Assets of the pension trust funds. The following is a schedule of the aggregate book and bank balances of all cash accounts. All deposits are fully insured by the FDIC. In addition to the FDIC insurance coverage on the accounts of MOSERS, the following securities were pledged to MOSERS by the bank at June 30, 1997:

\$750,000 Federal Home Loan Bank Discount Note Maturity Date 07/15/1997
 \$250,000 Federal Home Loan Bank Discount Note Maturity Date 09/02/1997
 \$700,000 Federal Home Loan Bank Discount Note Maturity Date 11/10/1997
 \$1,500,000 Federal Home Loan Bank 6.360% Maturity Date 09/09/1998

		Cash Balances	
<u>Pension Trust Funds</u>		<u>Internal Service Fund</u>	
Book	Bank	Book	Bank
\$(5,722,934)	\$48,239	\$(1,178)	\$341

Investments

Year Ended June 30, 1997

	Pension Trust Funds		Internal Service Fund		Total (Memorandum Only)	
	Cost	Market	Cost	Market	Cost	Market
Category 1 Classification						
Common stocks						
Not on securities loan	\$ 1,330,245,195	\$ 1,801,347,356	\$ 0	\$ 0	\$ 1,330,245,195	\$ 1,801,347,356
On securities loan for noncash collateral	16,868,459	22,332,633	0	0	16,868,459	22,332,633
International equities						
Not on securities loan	297,572,043	357,618,361	0	0	297,572,043	357,618,361
On securities loan for noncash collateral	252,500	252,500	0	0	252,500	252,500
U.S. dollar denominated international corporate bonds	13,424,415	13,536,945	0	0	13,424,415	13,536,945
Preferred stocks	3,503,690	3,335,344	0	0	3,503,690	3,335,344
Treasury bonds, notes and bills						
Not on securities loan	259,212,645	258,579,952	0	0	259,212,645	258,579,952
On securities loan for noncash collateral	128,003,393	130,039,561	0	0	128,003,393	130,039,561
Gov't. bonds and gov't. mortgage backed securities	280,249,062	286,651,594	0	0	280,249,062	286,651,594
Corporate bonds						
Not on securities loan	294,985,319	296,776,024	0	0	294,985,319	296,776,024
On securities loan for noncash collateral	5,848,656	6,008,401	0	0	5,848,656	6,008,401
Convertible bonds	1,400,000	1,563,000	0	0	1,400,000	1,563,000
Subtotal	2,631,565,377	3,178,041,671	0	0	2,631,565,377	3,178,041,671
Category 2 Classification						
Repurchase agreements	1,253,781	1,253,781	467,529	467,529	1,721,310	1,721,310
Subtotal	1,253,781	1,253,781	467,529	467,529	1,721,310	1,721,310
Not Subject to Classification						
Investments held by broker-dealers under securities loans for cash collateral						
Common stocks	51,740,021	97,012,230	0	0	51,740,021	97,012,230
International equities	55,179,229	52,503,876	0	0	55,179,229	52,503,876
Treasury bonds, notes and bills	172,963,566	176,551,868	0	0	172,963,566	176,551,868
Gov't. bonds and gov't. mortgage backed securities	10,284,681	10,269,717	0	0	10,284,681	10,269,717
Corporate bonds	8,851,825	9,101,266	0	0	8,851,825	9,101,266
Short-term investment funds	425,643,455	425,642,714	0	0	425,643,455	425,642,714
Collateralized mortgage obligations	30,309,474	30,797,707	0	0	30,309,474	30,797,707
Guaranteed investment contracts	14,886,866	14,886,867	0	0	14,886,866	14,886,867
Real estate loans and mortgages	3,321,040	3,321,040	0	0	3,321,040	3,321,040
Real estate equity holdings	7,330,533	6,842,383	0	0	7,330,533	6,842,383
Closed-end real estate fund (contractual)	5,419,190	4,717,952	0	0	5,419,190	4,717,952
International EAFE index fund	239,830,406	311,817,330	0	0	239,830,406	311,817,330
Foreign currencies	1,003,342	3,153,542	0	0	1,003,342	3,153,542
Venture capital limited partnerships	1,146,042	510,474	0	0	1,146,042	510,474
Subtotal	1,027,909,670	1,147,128,966	0	0	1,027,909,670	1,147,128,966
Total	\$ 3,660,728,828	\$ 4,326,424,418	\$ 467,529	\$ 467,529	\$ 3,661,196,357	\$ 4,326,891,947
Reconciliation to investments on Statements of Net Assets						
Totals above	\$ 3,660,728,828	\$ 4,326,424,418				
Less short-term investments:						
Repurchase agreements	(1,253,781)	(1,253,781)				
Short-term investment funds	(144,006,294)	(144,006,294)				
Less invested securities lending collateral:						
Corporate bonds	(76,018,321)	(76,054,020)				
Gov't. bonds and gov't. mortgage backed securities	(4,996,112)	(5,000,850)				
Short-term investment funds	(281,637,161)	(281,636,420)				
Investments on Statement of Plan Net Assets	\$ 3,152,817,159	\$ 3,818,473,053				

Method Used to Value Investments

Investments of the pension trust funds are reported at fair value. Investments of the internal service fund are reported at cost.

The preceding schedule provides a summary of the cost and market values of the investments as reported on the Statements of Plan Net Assets of the pension trust funds and Balance Sheet of the internal service fund. Market values for the equity real estate investments are based on appraisals performed. Market values of the venture capital investments are provided by Brinson Partners based on valuations of the underlying companies of the limited partnerships. Market value of the EAFE index fund is determined based on the underlying assets in the fund. The remaining assets are primarily priced by the investment custodian using the last trade price information as supplied by various price data vendors. At June 30, 1997, the System did not have investments in any one organization, other than those issued by the U.S. government, which represented greater than five percent of plan net assets.

Derivatives

In accordance with its Investment Policy, MOSERS, through its external investment managers, holds investments in futures contracts and enters into forward foreign currency exchange contracts. Futures contracts of approximately \$29,900,000 were held for investment purposes at June 30, 1997. Forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities, primarily denominated in European and Asian currencies. At June 30, 1997, MOSERS had approximately \$27,000,000 net exposure to loss from forward foreign currency exchange transactions related to the \$704,000,000 international equity portfolio.

MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. MOSERS anticipates that the counterparties will be able to satisfy their obligations under the contracts.

Categories of Asset Risks

All investments are governed primarily by an investment doctrine known as the "prudent person rule." The "prudent person rule," as set forth by State statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the funds. Governmental Accounting Standards Board Statement Number 3 requires disclosure of investment securities within the following three categories of credit risk. Category 1 includes investments that are insured or registered or which are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust departments or agent in the System's name. Category 3 includes

uninsured and unregistered investments which are held by the counterparty, its trust department, or agent, but not in the System's name.

A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditorship. "Securities" do not include investments made with another party, real estate or direct investments in mortgages and other loans. Investments in open-end mutual funds, annuity contracts and guaranteed investment contracts are also not considered securities for purposes of credit risk classification. Such investments are shown on the previous page as "Not Subject To Classification."

Total Memorandum Only Columns

Total columns captioned "(Memorandum Only)" are to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation since interfund eliminations have not been made.

Securities Lending Program

Board of Trustees policies permit the pension trust funds to participate in a securities lending program. The program is administered by Bankers Trust Company (the Custodian). Certain securities of the pension trust funds are loaned to participating brokers. Brokers who borrow the securities provide collateral in the form of cash, U.S. Treasury or Government Agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% for domestic loans and 105% for international loans. There are no restrictions on the amount of loans that can be made. Securities on loan at fiscal year end for cash collateral are presented as "not subject to classification" in the preceding investments schedule of custodial credit risk; securities on loan for noncash collateral are classified according to the category pertaining to the collateral. The Custodian provides for full indemnification to the pension trust funds for any losses that might occur in the program due to the failure of a broker to return a security that was borrowed (and if the collateral is inadequate to replace the securities lent) or failure to pay the pension trust funds for income of the securities while on loan. Due to the full indemnification and the fact that securities are monitored daily to ensure the collateral position exceeds the amount the borrowers owe the pension trust funds, credit risk is eliminated. The pension trust funds cannot pledge or sell collateral securities received unless the borrower defaults.

The majority of securities loans are open loans and can be terminated on demand by either MOSERS or the borrower; therefore, there is no direct matching of the maturities of the loans with the investments made with cash collateral. Cash collateral is invested in MOSERS' name in a dedicated short-term investment fund. The cash collateral investments had an average weighted maturity of 27 days at June 30, 1997.

Investment income from the invested collateral is shared 70/30 for the domestic loans and 75/25 for international loans between the pension trust funds and the Custodian respectively, representing their compensation for operating the program. Investment income and losses on securities loaned are recognized by the pension trust funds.

Office Building, Equipment, and Fixtures

Office building, equipment, and fixtures are capitalized at cost when acquired. Improvements which increase the useful life of the property are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets according to the following schedule:

- 5 years for furniture, fixtures, equipment
- 40 years for building

Legal Settlements

MOSERS was a party to a lawsuit which was settled in the year ended June 30, 1996. In the settlement agreement reached in *Harold Lynch, et al. v. The Public School Retirement System of Missouri, et al.*, MOSERS paid \$23,000,000 into an account established to settle claims of the class members. Upon completion of the distributions to the class members in the year ended June 30, 1997, MOSERS received \$221,696 which represented the portion of the unexpended funds plus interest earned on the funds held in the account.

(3) Contributions and Reserves

MSEP and ALJLAP are pension plans covering substantially all State of Missouri employees and administrative law judges and legal advisors of the Division of Workers' Compensation. The State of Missouri is obligated by State law to make all required contributions to the plans. The required contributions are expressed as a percentage of covered payroll and are actuarially determined using an individual entry age actuarial cost method. The prior service costs are amortized over 40 years for the MSEP and the ALJLAP. The Judicial Plan is a non-funded or "pay-as-you-go" plan for which the State of Missouri reimburses MOSERS on a monthly basis for the benefits paid each month. Costs of administering the plans are financed from the assets of the pension trust funds.

(4) Other Post Employment Benefits (OPEB)

In addition to the retirement benefits provided through MOSERS, the State of Missouri also funds, either partially or in its entirety, OPEB for eligible retirees as follows:

Retiree Life Insurance

Retirees who retired on or after October 1, 1984, are eligible for \$5,000 of State-sponsored life insurance coverage if they retire directly from active employment. As of June 30, 1997, 6,337 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a

current cost of \$10.35 per month per eligible participant (\$754,091 for the year ended June 30, 1997). Premiums are paid entirely by the State as provided for by Section 104.515 RSMo.

Retirees of the Department of Labor and Industrial Relations (DLIR) who retired prior to January 1, 1996, are eligible for State-sponsored life insurance coverage in the same amount of coverage they were receiving through the DLIR. As of June 30, 1997, 806 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of \$2.07 per thousand dollars of coverage, per month, per eligible participant (\$87,361 for the year ended June 30, 1997). Premiums are paid entirely by the DLIR as provided for by Section 228.225 RSMo. Retirees of the DLIR who retired after January 1, 1996 are eligible for \$5,000 of State-sponsored life insurance coverage if they retire directly from active employment and are included in the group identified in the preceding paragraph.

(5) Plan Termination

MOSERS and its related plans are administered in accordance with Missouri Statutes. The statutes do not provide for termination of the plans under any circumstances.

(6) Contingencies

Included in MOSERS' real estate investments is a property located in St. Louis, Missouri which has been found to have hazardous substance contamination. MOSERS is currently participating in the Hazardous Substance Environmental Remediation Program administered by the Missouri Department of Natural Resources in order to delineate the scope and magnitude of the contamination and determine what appropriate remedial action is needed. Based on the available information, the System's management feels it is not reasonably possible to predict the amount of additional expense MOSERS may incur, or to predict the outcome of any possible cost recovery actions it may take against other parties. Accordingly, no provision has been made in the accompanying financial statements for this matter.

MOSERS is a defendant in a number of other lawsuits which, in management's opinion, will not have a material effect on the financial statements.

(7) Subsequent Events

Due to the passage of House Bill 356 which became effective on August 28, 1997, members who retired on or after October 1, 1984, and elected an option which provides for a continuing lifetime annuity to a surviving spouse, are entitled to a one-time payment in an amount equal to the difference between the amount of retirement benefits received and the amount each such member would have received had the benefit originally been calculated using this new normal form of payment. These payments are estimated to total \$8.5 million; no provision for these payments has been included in the financial statements.

Required Supplementary Information

Schedules of Funding Progress

Missouri State Employees' Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/89	\$ 1,417,715,534	\$ 1,782,125,565	\$ 364,410,031	79.6%	\$ 895,170,355	40.7%
6/30/90	1,587,114,827	1,861,365,216	274,250,389	85.3	994,228,494	27.6
6/30/91	1,793,370,043	2,052,600,760	259,230,717	87.4	1,027,719,059	25.2
6/30/92	1,991,215,165	2,291,583,890	300,368,725	86.9	1,030,240,894	29.2
6/30/93	2,236,558,739	2,447,222,060	210,663,321	91.4	1,063,246,615	19.8
6/30/94	2,425,134,504	2,919,456,425	494,321,921	83.1	1,124,862,008	43.9
6/30/95	2,649,077,134	3,150,796,580	501,719,446	84.1	1,198,938,042	41.8
6/30/96	2,927,896,643	3,440,126,483	512,229,840	85.1	1,267,605,000	40.4
6/30/97	3,580,974,502	4,484,047,801	903,073,299	79.9	1,359,656,666	66.4

Administrative Law Judges' and Legal Advisors' Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/89	\$ 3,348,429	\$ 6,450,259	\$ 3,101,830	51.9%	\$ 1,869,790	165.9%
6/30/90	4,093,598	6,333,743	2,240,145	64.6	1,912,986	117.1
6/30/91	4,707,938	7,202,859	2,494,921	65.4	1,940,201	128.6
6/30/92	5,247,546	7,483,415	2,235,869	70.1	1,725,380	129.6
6/30/93	5,864,317	8,164,468	2,300,151	71.8	1,931,355	119.1
6/30/94	6,229,224	8,766,732	2,537,508	71.1	2,094,062	121.2
6/30/95	6,655,207	9,729,955	3,074,748	68.4	2,166,275	141.9
6/30/96	7,258,814	10,276,363	3,017,549	70.6	2,706,314	111.5
6/30/97	8,864,395	11,427,181	2,562,786	77.6	2,865,733	89.4

Judicial Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/89	\$ 0	\$ 97,404,436	\$ 97,404,436	0.0%	\$ 22,665,061	429.8%
6/30/90	0	101,900,740	101,900,740	0.0	24,463,766	416.5
6/30/91	0	119,052,585	119,052,585	0.0	25,742,372	462.5
6/30/92	0	127,140,534	127,140,534	0.0	26,402,164	481.6
6/30/93	0	132,441,964	132,441,964	0.0	26,641,236	497.1
6/30/94	0	141,595,625	141,595,625	0.0	27,006,602	524.3
6/30/95	0	153,646,982	153,646,982	0.0	27,984,008	549.1
6/30/96	0	161,734,110	161,734,110	0.0	29,908,056	540.8
6/30/97	0	197,472,573	197,472,573	0.0	31,663,101	623.7

See Notes to the Schedules of Required Supplementary Information.
See accompanying Independent Auditors' Report.

Required Supplementary Information
Schedules of Employer Contributions

Missouri State Employees' Retirement System

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1991	11.57%	\$ 120,205,229	86%
1992	9.65	100,672,145	100
1993	9.68	102,988,219	100
1994	9.49	106,681,308	100
1995	9.04	108,902,372	100
1996	10.69	137,007,112	100
1997	10.66	146,383,371	100

Administrative Law Judges' and Legal Advisors' Plan

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1991	26.61%	\$ 527,648	100%
1992	25.51	500,250	100
1993	27.77	548,707	100
1994	24.18	502,019	100
1995	22.50	498,233	100
1996	21.16	548,276	100
1997	22.60	652,709	100

Judicial Plan

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1991	35.55%	\$ 9,151,413	56%
1992	37.78	9,974,738	74
1993	40.93	10,904,258	71
1994	40.12	10,835,049	76
1995	40.85	11,431,467	80
1996	43.14	12,902,335	77
1997	46.50	14,723,342	71

See Notes to the Schedules of Required Supplementary Information.
See accompanying Independent Auditors' Report.

Missouri State Employees' Retirement System

Notes to the Schedules of Required Supplementary Information

June 30, 1997

**Actuarial Methods and Assumptions for
Valuations Performed June 30, 1997**

The entry age normal actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest) which are expressed as a percent of payroll. The amortization period used for the June 30, 1997 valuations was a closed 40 year period for all plans. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a three year period. The investment return rate used is 8.5% per year, compounded annually (net after investment expenses). The inflation rate assumption used is 4.5% per year. Projected salary increase assumptions are based on 4.5% per year for wage inflation plus an additional 0.0% to 2.7% per year for MSEP, and 0.0% to 1.6% per year for ALJLAP and the Judicial Plan, depending on age, attributable to seniority and/or merit increases. The assumption used for post retirement benefit increases after retirement is 4.25% per year when a minimum cost-of-living adjustment (COLA) of 4% is in effect; 3.6% per year when no minimum COLA is in effect.

Significant Factors Affecting Identification of Trends

1988 - Enacted legislation set the retirement contribution rate for the MSEP at 9.9% for fiscal years 1990 through 1993 unless total revenues (excluding unrealized appreciation of investments) is less than 375% of total expenses in any one year. The Board of Trustees voted to adopt the 9.9% beginning with fiscal year 1989. During 1988, the MSEP received approximately 2,700 members transferring from the Public School Retirement System and approximately 540 members transferring from the Lincoln University Employee Retirement System.

1989 - The MSEP total revenues were less than 375% of total expenses for the fiscal year ended June 30, 1989. The Board of Trustees voted to keep the retirement contribution rate set at 9.9% through fiscal year 1993. During 1989, approximately 120 members transferred from the Public School Retirement System to the MSEP.

1990 - The Board of Trustees approved a change in the actuarial rate of return assumption from 8% to 8.5% beginning with the valuations performed as of June 30, 1990.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in assumptions	\$(16,205,924)	(1.63)%
Other experience and nonrecurring items	(2,883,263)	(.29)
ALJLAP		
Change in assumptions	(42,277)	(2.21)
Other experience and nonrecurring items	21,234	1.11

1991 - The actuarial valuations as of June 30, 1991, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1993.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in benefits	\$719,403	.07%
Other experience and nonrecurring items	(411,088)	(.04)
ALJLAP		
Other experience and nonrecurring items	43,849	2.26

1992 - The actuarial valuations as of June 30, 1992, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1994.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in benefits and assumptions	\$(4,017,939)	(.39)%
Other experience and nonrecurring items	2,060,482	.20
ALJLAP		
Change in assumptions	(23,293)	(1.35)
Other experience and nonrecurring items	(38,649)	(2.24)

1994 - The actuarial valuations as of June 30, 1994, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1996.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in benefits and assumptions	\$31,496,136	2.80%
Other experience and nonrecurring items	(12,935,913)	(1.15)
ALJLAP		
Change in benefits and assumptions	\$21,359	1.02
Other experience and nonrecurring items	(49,420)	(2.36)

1996 - The actuarial valuations as of June 30, 1996, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1998.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in benefits and assumptions	\$(1,774,647)	(0.14)%
Other experience and nonrecurring items	(1,521,126)	(0.12)
ALJLAP		
Change in benefits and assumptions	\$(43,572)	(1.61)
Other experience and nonrecurring items	(35,994)	(1.33)

1997 - During the year ended June 30, 1997, the MSEP Plan experienced a net change of \$1,043,921,000 in the actuarial accrued liability. Of the change, \$660,195,000 was attributable to plan amendments and \$53,365,000 was attributable to a change in actuarial assumptions.

During the year ended June 30, 1997, the ALJLAP Plan experienced a net change of \$1,150,818 in the actuarial accrued liability. Of the change, \$1,055,550 was attributable to plan amendments.

During the year ended June 30, 1997, the Judicial Plan experienced a net change of \$35,738,463 in the actuarial accrued liability. Of the change, \$23,140,721 was attributable to plan amendments.

The actuarial valuations as of June 30, 1997, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1999.

	<u>Amount</u>	<u>% of Payroll</u>
MSEP		
Change in benefits and assumptions	\$44,188,842	3.25%
Other experience and nonrecurring items	(14,548,326)	(1.07)
ALJLAP		
Change in benefits and assumptions	\$45,565	1.59
Other experience and nonrecurring items	(73,076)	(2.55)
Judicial Plan		
First year for funding of benefits previously paid on a pay-as-you-go basis	\$16,404,653	51.81

Missouri State Employees' Retirement System

Schedule of Administrative Expenses

Year Ended June 30, 1997

	Pension Trust Funds			Internal Service Fund
	Missouri State Employees' Plan	Administrative Law Judges' and Legal Advisors' Plan	Total (Memorandum Only)	Missouri State Insurance Plan
Personal Service				
Salaries	\$ 1,524,449	\$ 3,762	\$ 1,528,211	\$ 176,876
Employee fringe benefits	367,141	906	368,047	42,229
Total personal service	1,891,590	4,668	1,896,258	219,105
Professional Services				
Actuarial services	176,089	435	176,524	0
Attorney services	129,779	320	130,099	9,177
Auditing services	29,630	73	29,703	3,497
Banking services	16,197	40	16,237	594
Consulting services	48,081	119	48,200	6,723
Total professional services	399,776	987	400,763	19,991
Communications				
Postage and mailing	116,176	287	116,463	6,994
Telephone	33,917	84	34,001	3,965
Printing	132,894	328	133,222	15,254
Total communications	282,987	699	283,686	26,213
Building and Grounds				
Depreciation	29,792	74	29,866	0
Utilities	25,868	64	25,932	2,837
Maintenance	10,001	25	10,026	1,168
Total building and grounds	65,661	163	65,824	4,005
Equipment				
Depreciation	266,106	657	266,763	0
Maintenance	111,765	276	112,041	12,671
Rental	44,170	109	44,279	5,157
Reimbursed shared expenses	(30,967)	(76)	(31,043)	31,043
(Gain) Loss on sale of equipment	(5,520)	(14)	(5,534)	0
Total equipment	385,554	952	386,506	48,871
Travel and Meetings				
Board travel and meetings	21,878	54	21,932	2,622
Staff travel and meetings	118,685	293	118,978	14,065
Vehicle maintenance and operation	2,202	5	2,207	250
Total travel and meetings	142,765	352	143,117	16,937
General				
Educational materials	9,786	24	9,810	910
Office supplies	104,595	258	104,853	12,543
Subscriptions and dues	175,770	434	176,204	2,423
Insurance	101,943	252	102,195	12,127
Advertising	2,224	5	2,229	120
Physical examinations	292	1	293	0
Miscellaneous	75	0	75	31
Total general	394,685	974	395,659	28,154
Total administrative expenses	\$ 3,563,018	\$ 8,795	\$ 3,571,813	\$ 363,276

See accompanying Independent Auditors' Report.

Missouri State Employees' Retirement System

Schedule of Investment Expenses

Year Ended June 30, 1997

	Missouri State Employees' Plan	Administrative Law Judges' and Legal Advisors' Plan	Total (Memorandum Only)
<i>Investment activity</i>			
<i>Investment management fees</i>			
<u>Fixed income managers</u>			
Black Rock Financial Management L.P.	\$ 275,138	\$ 679	\$ 275,817
Boatmen's Trust Company	84,617	209	84,826
Hoisington Investment Management Company	149,631	369	150,000
<u>Equity managers</u>			
<i>Domestic equities</i>			
Capital Guardian Trust	373,348	922	374,270
Conning Asset Management Company	87,564	216	87,780
Investment Advisors, Inc.	327,490	808	328,298
Kennedy Capital Management	426,485	1,052	427,537
American Re Asset Management	307,699	760	308,459
Wilshire Associates, Inc.	333,341	823	334,164
Woodford Capital Management	371,084	916	372,000
Zak Capital, Inc.	157,312	388	157,700
<i>International equities</i>			
Bankers Trust Company	203,712	503	204,215
Silchester International	1,193,364	2,946	1,196,310
Morgan Grenfell Investment Services	558,621	1,379	560,000
<u>Venture capital manager</u>			
Brinson Partners, Inc.	135,802	335	136,137
<u>Cash manager</u>			
Bankers Trust Company	120,060	296	120,356
Total investment management fees	5,105,268	12,601	5,117,869
Investment consultant fees - Summit Strategies, Inc.	164,594	406	165,000
Investment custodial fees - Bankers Trust Company	389,164	961	390,125
Performance measurement fees - Bankers Trust Company	84,953	210	85,163
Total investment activity expenses	5,743,979	14,178	5,758,157
<i>Securities lending activity</i>			
Securities lending borrower rebates	13,858,043	34,206	13,892,249
Securities lending management fees - Bankers Trust Company	486,219	1,200	487,419
Total securities lending activity expenses	14,344,262	35,406	14,379,668
Total investment expenses	\$ 20,088,241	\$ 49,584	\$ 20,137,825

See accompanying Independent Auditors' Report.

Missouri State Employees' Retirement System
Schedule of Professional/Consultant Fees
 Year Ended June 30, 1997

Professional /Consultant	Nature of Service	Pension Trust Funds			Internal
		Missouri State	Administrative Law Judges' and and Legal Advisors' Plan	Total (Memorandum Only)	Service Fund Missouri State Insurance Plan
Gabriel, Roeder, Smith & Co.	Actuary	\$ 146,823	\$ 363	\$ 147,186	\$ 0
Milliman & Robertson, Inc.	Actuary	29,266	72	29,338	0
Thompson Coburn	Legal Counsel	129,056	318	129,374	9,126
Husch & Eppenberger	Legal Counsel	723	2	725	51
KPMG Peat Marwick LLP	Auditor	29,630	73	29,703	3,497
Central Bank	Banking Service	16,197	40	16,237	594
Jack Pierce	Governmental Pension Consultant	13,131	33	13,164	1,836
Charlesworth & Associates	Risk Consultant	4,202	10	4,212	588
Workscience Corporation	Job Study Consultant	25,607	63	25,670	3,580
Hoops and Associates, P.C	Expert Witness Fee	1,696	4	1,700	237
GEI Consultants, Inc.	Environmental Consultant	3,117	8	3,125	436
Mass Strategic Communications	Telecommunication Consultant	328	1	329	46
Total professional/consultant fees		<u>\$ 399,776</u>	<u>\$ 987</u>	<u>\$ 400,763</u>	<u>\$ 19,991</u>

See accompanying Independent Auditors' Report.

Information on investment management and consulting fees can be found in the Schedule of Investment Expenses on page 36.

Missouri State Employees' Retirement System

Investment Summary**Pension Trust Funds**

Year Ended June 30, 1997

Type of Investment	June 30, 1996		Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	June 30, 1997		%Total Market
	Cost Value	Market Value			Cost Value	Market Value	
<i>Fixed income</i>							
Treasury bonds, notes and bills	\$ 405,802,275	\$ 406,522,584	\$ 558,363,447	\$ 403,986,118	\$ 560,179,604	\$ 565,171,381	14.80%
Gov't bonds and gov't mortgage backed securities	297,902,382	300,614,053	855,940,660	868,305,411	285,537,631	291,920,461	7.64
FHA mortgages	549,922	554,851	0	549,922	0	0	0.00
Corporate bonds	173,127,441	178,578,775	354,219,327	293,679,289	233,667,479	235,831,671	6.18
Convertible bonds	812,780	909,448	1,000,000	412,780	1,400,000	1,563,000	0.04
Collateralized mortgage obligations	14,811,385	14,828,066	22,577,053	7,078,964	30,309,474	30,797,707	0.81
Guaranteed investment contracts	14,192,290	14,192,290	890,266	195,690	14,886,866	14,886,867	0.39
Total fixed income	907,198,475	916,200,067	1,792,990,753	1,574,208,174	1,125,981,054	1,140,171,087	29.86
<i>Common stocks</i>	1,375,945,830	1,659,097,539	880,085,254	857,177,409	1,398,853,675	1,920,692,219	50.30
<i>Preferred stocks</i>	3,461,973	3,568,351	3,466,556	3,424,839	3,503,690	3,335,344	0.09
<i>International investments</i>							
International equities	254,129,407	277,208,398	210,630,637	111,756,272	353,003,772	410,374,737	10.75
U.S. dollar denominated international corporate bonds	0	0	24,659,265	11,234,850	13,424,415	13,536,945	0.35
Foreign currencies	119,116	1,472,318	41,310,527	40,426,301	1,003,342	3,153,542	0.08
International EAFE index fund	206,908,749	242,119,977	33,000,000	78,343	239,830,406	311,817,330	8.17
Total international investments	461,157,272	520,800,693	309,600,429	163,495,766	607,261,935	738,882,554	19.35
<i>Real estate</i>							
Loan and mortgages	15,471,502	15,527,238	0	12,150,462	3,321,040	3,321,040	0.09
Equity holdings	15,087,956	12,436,542	188,103	7,945,526	7,330,533	6,842,383	0.18
Closed-end real estate fund	8,657,127	7,173,722	0	3,237,937	5,419,190	4,717,952	0.12
Total real estate	39,216,585	35,137,502	188,103	23,333,925	16,070,763	14,881,375	0.39
<i>Venture capital limited partnerships</i>	21,540,701	14,348,891	0	20,394,659	1,146,042	510,474	0.01
<i>Investments (per Statements of Plan Net Assets page 21)</i>							
	2,808,520,836	3,149,153,043	2,986,331,095	2,642,034,772	3,152,817,159	3,818,473,053	100.00%
<i>Short-term investments</i>							
Short-term investment funds	89,436,392	89,436,392	1,416,580,785	1,362,010,883	144,006,294	144,006,294	
Repurchase agreements	1,065,110	1,065,110	267,323,903	267,135,232	1,253,781	1,253,781	
Total short-term investments	90,501,502	90,501,502	1,683,904,688	1,629,146,115	145,260,075	145,260,075	
<i>Invested securities lending collateral</i>							
Corporate bonds	39,999,121	40,016,750	99,012,201	62,993,001	76,018,321	76,054,020	
Government bonds	7,993,698	8,002,640	22,989,812	25,987,398	4,996,112	5,000,850	
Short-term investment funds	152,400,814	152,400,814	22,650,981,978	22,521,745,631	281,637,161	281,636,420	
Total invested securities lending collateral	200,393,633	200,420,204	22,772,983,991	22,610,726,030	362,651,594	362,691,290	
<i>Total investments</i>	\$3,099,415,971	\$3,440,074,749	\$27,443,219,774	\$26,881,906,917	\$3,660,728,828	\$4,326,424,418	

See accompanying Independent Auditors' Report.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.

Missouri State Employees' Retirement System

Investment Summary**Internal Service Fund**

Year Ended June 30, 1997

Type of Investment	June 30, 1996		Purchases at Cost	Sales and Redemptions at Cost	June 30, 1997		% Total Market
	Cost Value	Market Value			Cost Value	Market Value	
Repurchase agreements	\$ 808,238	\$ 808,238	\$ 231,633,935	\$ 231,974,644	\$ 467,529	\$ 467,529	100%

See accompanying Independent Auditors' Report.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.



This is a highly detailed and ornate world map, titled "Mondatlas" (World Atlas) at the top. It is a circular map showing the world as known in the late 16th century, with continents and oceans labeled in Latin. The map is surrounded by decorative vignettes, including a portrait of Claudius Ptolemy in the top right and a portrait of Willem Blaeuw in the bottom right. The map is titled "Mondatlas" at the top.

The map is a circular projection, showing the world with continents and oceans labeled in Latin. The continents are labeled: *EUROPA* (Europe), *AFRICA* (Africa), *ASIA* (Asia), *AMERICA* (America), and *AVSTRALIS INCOGNITA* (South Unknown Land). The oceans are labeled: *MARE ATLANTICUM* (Atlantic Ocean), *MARE INDICUM* (Indian Ocean), *MARE PACIFICUM* (Pacific Ocean), and *MARE ARABICUM* (Arabian Sea). The map is surrounded by decorative vignettes, including a portrait of Claudius Ptolemy in the top right and a portrait of Willem Blaeuw in the bottom right. The map is titled "Mondatlas" at the top.

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Summit Strategies, Inc.

7700 Bonhomme Ave.
Suite 300
St. Louis, MO 63105
314-727-7211
314-727-6068 Fax

September 3, 1997

Dear Members:

The financial markets continue to be extremely generous to investors, and MOSERS has certainly participated in the continuing Bull Market. The Fund earned 20.1% for the year ending June 30, 1997. One year ago, MOSERS' assets stood at \$3.25 billion. As of June 30, 1997, the Fund has grown to \$3.92 billion. For three years, the annualized return has been 17.9%, and for five years the return has been 13.0%. Given the relatively modest inflation rates in recent years, real returns (which are returns in excess of inflation) have substantially exceeded the 4.0% real return assumption in place for actuarial valuation purposes.

Compared to our sample of large public funds around the country, MOSERS outperformed over 75% of them this past year. This is a very positive indicator and one which reflects several initiatives that were put in place over the last few years. These are:

Increased Equity Exposure: The Fund currently invests 67.5% of its assets in stocks which amounts to approximately \$2.2 billion. This is a 12.5% increase over the allocation to equities five years ago. At approximately \$4 billion in total assets, this increase equals an additional \$500 million in stocks.

Increased Diversification: While the additional investment in stocks has increased the returns of the Fund, it can also increase risk. A very powerful risk control tool is diversification. The Fund currently invests over \$1.2 billion in large U.S. companies, over \$740 million in smaller U.S. companies and over \$700 million in international companies. Five years ago, all stock holdings were in large U.S. companies.

Fixed Income Stability: Until three years ago, the entire MOSERS' Fund was affected dramatically by changes in interest rates. Over half of the fixed income assets were in long bonds, which can be very volatile. Since then, the fixed income portfolio has been dramatically restructured to remove this excess volatility from the portfolio. As a result, the \$1.2 billion which MOSERS invests in bonds focuses on providing stability and income to the portfolio. This stability in the fixed income investments plus the equity diversification has allowed the Fund to increase its equity exposure as discussed above without increasing overall volatility.

Market Exposure and Market Specialists: A majority of MOSERS' assets are managed in index funds. Index funds provide a very efficient and straightforward way to achieve the Fund's allocation targets. Because these index funds provide great diversification and no surprises, the Fund can hire active specialist managers that will take significant positions in their attempt to add value while not exposing the total fund to unwanted overall volatility.

Internal Management Capabilities: The most significant development for the investment portfolio in the past year has been the increase in assets that are managed by internal staff. Three years ago, staff managed no money. One year ago, staff managed \$367 million. As of June 30, 1997, internal staff managed approximately \$1.2 billion. All of these assets are either short-term cash equivalents or index accounts holding either stocks or bonds. By managing almost one-third of the total fund internally, personnel stability is greater, trading and management knowledge has increased and acquisition of state of the art analytical investment tools have all been achieved while saving the Fund several hundred thousand dollars in fees annually.

Obviously, any attempt at a brief summary of the investment of almost \$4 billion must be very broad in its scope. The changes highlighted above have been substantial in their practical implementation as well as their impact on the total Fund. The time, effort and support of the Board have made the investment program at MOSERS the success that it is. The Board has given staff considerable latitude in the management and oversight of trust funds and, as an outsider, I applaud this show of faith and believe it is very deserved. It has been a professional and personal pleasure for me and Summit Strategies to be associated with such an effort.

Sincerely,



Stephen Holmes, CFA
Director of Consulting



MOSERS

Missouri State Employees'
Retirement System

Board of Trustees

Thomas Hodges
Chairman

Bob Holden
Vice Chairman

Joseph Bednar

Rep. Richard Franklin

Richard Hanson

Janette Lohman

Donald Martin

Bryan Ornburn

Sen. John Russell

Sen. John Scott

Rep. Bill Skaggs

Gary Findlay
Executive Director

906 Leslie Boulevard,
P.O. Box 209
Jefferson City, Missouri 65102
Phone: (573) 751-2342
(800) 827-1063

MO Relay:
(800) 573-2466 (Voice)
(800) 573-2966 (TT)

Rick Dahl
Chief Investment Officer

September 1, 1997

Dear Members:

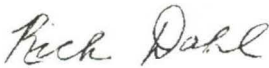
As of this report, your pension system is one of the 200 largest employee benefit funds in the United States, (Pension & Investments, January 20, 1997) with total assets close to \$4.0 billion. During the year, the asset base grew by over \$670 million with the total fund generating a return of 20.1% net of fees. MOSERS' return for the year, once again, placed it in the top twenty-five percent of the funds in our peer group. For the third year in a row the U.S. stock market delivered returns in excess of 20%. With an above average allocation to this asset class (50%), the MOSERS' total fund return reflects how we have benefited from the bull market in U.S. equities.

It is remarkable to think that in FY 97 alone, the MOSERS' fund grew by over \$670 million, which is more than was accumulated in the first 28 years of the fund's existence. Over the last few years the financial markets have been extremely favorable and, as we look into the future, many would argue that investor optimism continues to be strong. The economy is experiencing something similar to a "runners high". For the first time since the early 1950's (Eisenhower was President), the economy has near full employment, very low inflation, and prosperity. This economic "groove" has been the major impetus sending U.S. stocks to all time highs, delivering returns many percentage points in excess of historical averages.

In two previous annual report letters, I have talked about the need to guard against the belief that we have entered a new era where U.S. stocks go straight up and our economy never falls into another recession. I have stressed that investors should attempt to maintain reasonable expectations about what might lie ahead for U.S. stocks by educating themselves about the history of the markets. I have discussed the need to diversify internationally as capital markets around the world become more liquid. Lastly, I introduced the concept of systematic rebalancing (more commonly referred to as a disciplined approach of buying low and selling high) as a means to lowering overall portfolio volatility.

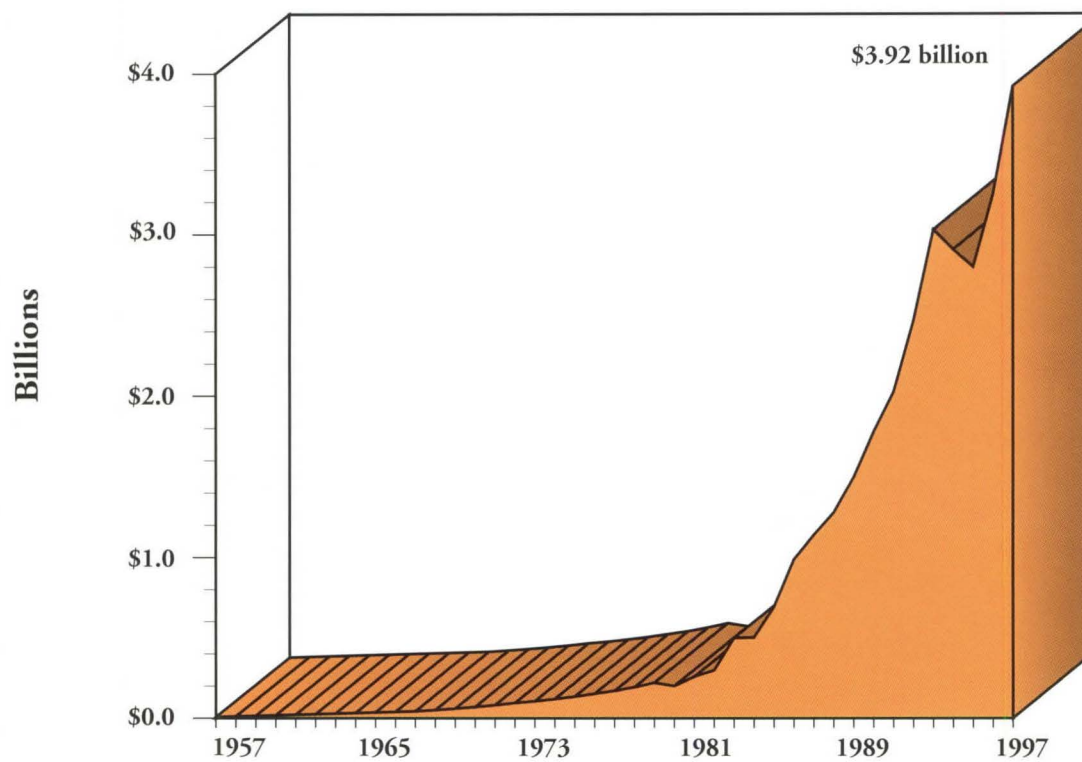
All of these concepts, in the long-term, have proven beneficial to those of us responsible for managing investment portfolios. However, in the last few years, many, if not all of these ideas which are deeply rooted in the MOSERS' portfolio, have produced very little added benefit when compared to a portfolio that was invested in the largest U.S. companies. While it has been easy to ignore these concepts in recent years, what has been much more difficult, requiring a ton of patience and faith, is staying the course when the herd goes in the other direction. So, this year, as the U.S stock market has screamed forward, the MOSERS' Board has not lost sight of prudent portfolio management and the belief that, in the long-run, reasonable expectations, diversification, education and rebalancing will preserve the fund's assets. Because of this, you will notice that very little change has taken place in the portfolio from where it was a year ago. It was our belief then, and continues to be our belief today, that the MOSERS' fund is structured to weather many different investment climates and should provide you, the members, with the financial security you have earned and should rightfully expect.

Until next year,

A handwritten signature in cursive script that reads "Rick Dahl".

Rick Dahl, CFP

MOSERS' Investments - 40 Years of Growth



Fiduciary Responsibility

The members of the MOSERS' Board of Trustees are charged with the ultimate fiduciary responsibility for investment of System assets. In carrying out their responsibilities, they must adhere to State law with respect to the duties of investment fiduciaries. Accordingly, they are required to "discharge their duties in the interest of plan participants" and "act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims."

Guiding Principles

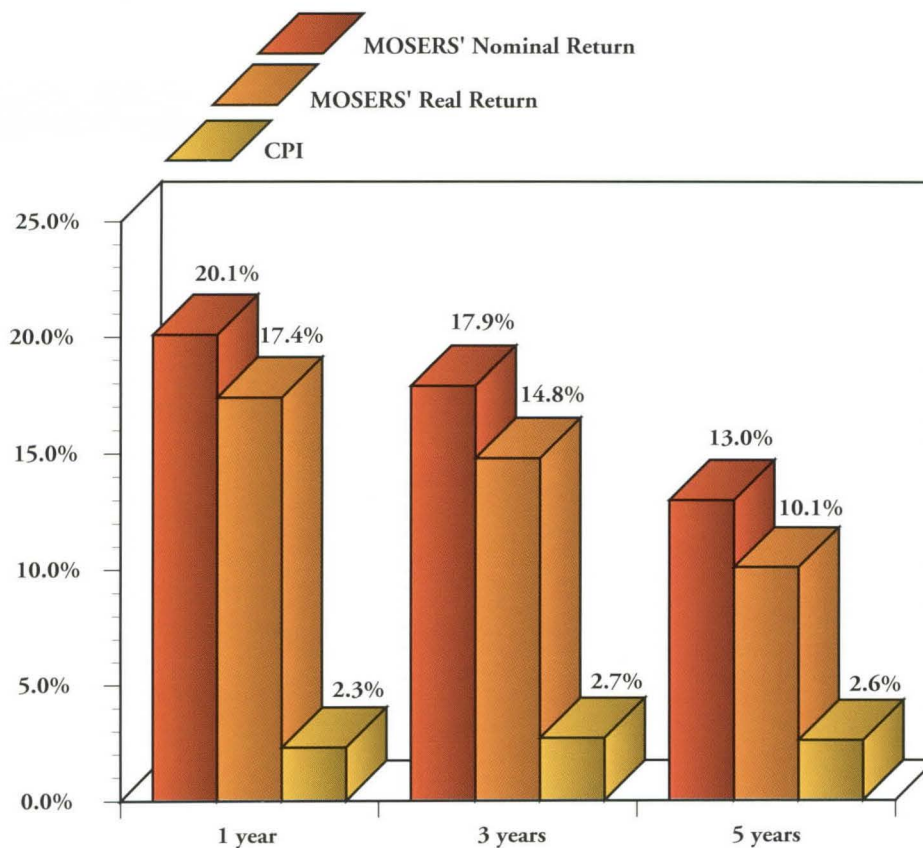
In an attempt to clarify the complexity of the above statement, the Board has adopted the following principles which guide all investment related decisions:

- ◆ Preserve the long-term corpus of the fund.
- ◆ Maximize total return within prudent risk parameters.
- ◆ Act in the exclusive interest of the Members of System.

Investment Objective

The investment objective established by the Board, as a long-term goal, is to achieve a real rate of return of at least 4.0% per year. The real rate of return is defined as the rate by which the long-term total return on System assets exceeds the long-term inflation rate. As can be seen from the graph below, this objective was achieved in the current Fiscal Year (FY 97) and has successfully been achieved over longer periods of time.

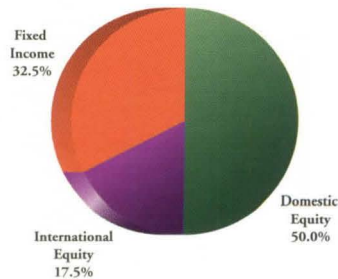
MOSERS' Return vs. Consumer Price Index



CPI Source: US Department of Labor Bureau of Labor Statistics - not seasonally adjusted
 MOSERS' Real Return is the excess return over the CPI utilizing the formula

$$\text{Real} = (1 + \text{Nominal}) / (1 + \text{CPI}) - 1.$$

MOSERS' Target Allocation



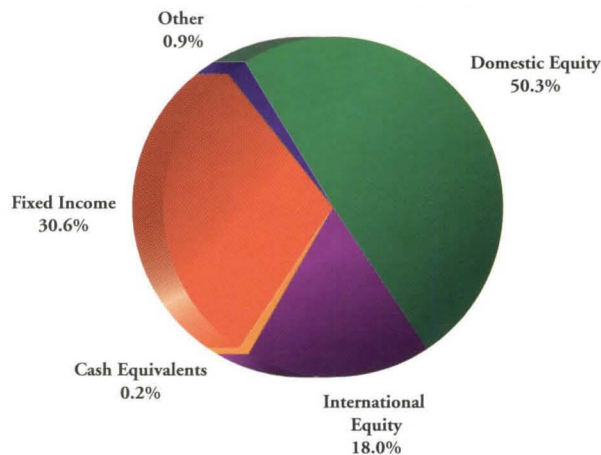
Strategic Asset Allocation

By asset class, MOSERS' assets are divided among domestic equity, international equity, and domestic fixed income investments. It is common practice to diversify portfolios by allocating investments among asset classes in order to improve the risk/return profile of the fund. Studies indicate that between 85-90% of an investment portfolio's return can be attributed to the asset allocation decision.

MOSERS' target asset allocation is depicted in the pie chart to the left.

Due to the fact that different asset classes seldom move in lock step with each other it is reasonable to expect that over time the actual allocation will differ from that of the target. The following chart depicts MOSERS' actual asset mix as of June 30, 1997.

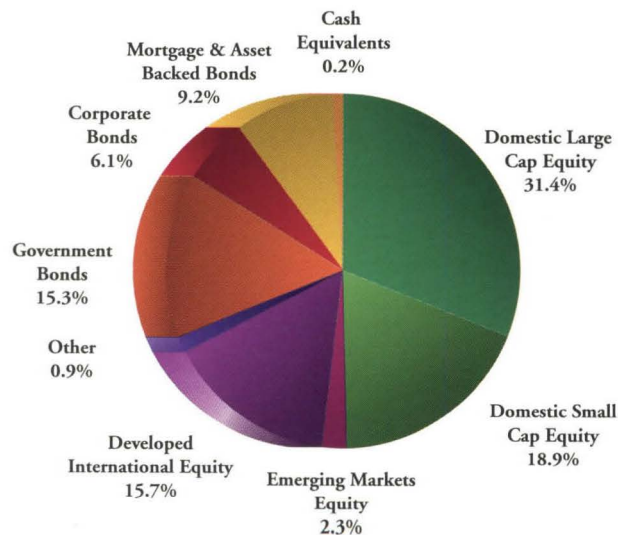
Allocation by Asset Class



Other - includes Guaranteed Investment Contracts, Venture Capital, and Real Estate.

Within each asset class there exist numerous investment styles and philosophies. These within-class allocations are generally subject to higher return volatility than the asset classes, however, when aggregated they allow for an additional level of diversification. The following chart depicts MOSERS' actual within-class asset mix as of June 30, 1997.

Allocation by Sub-Asset Class

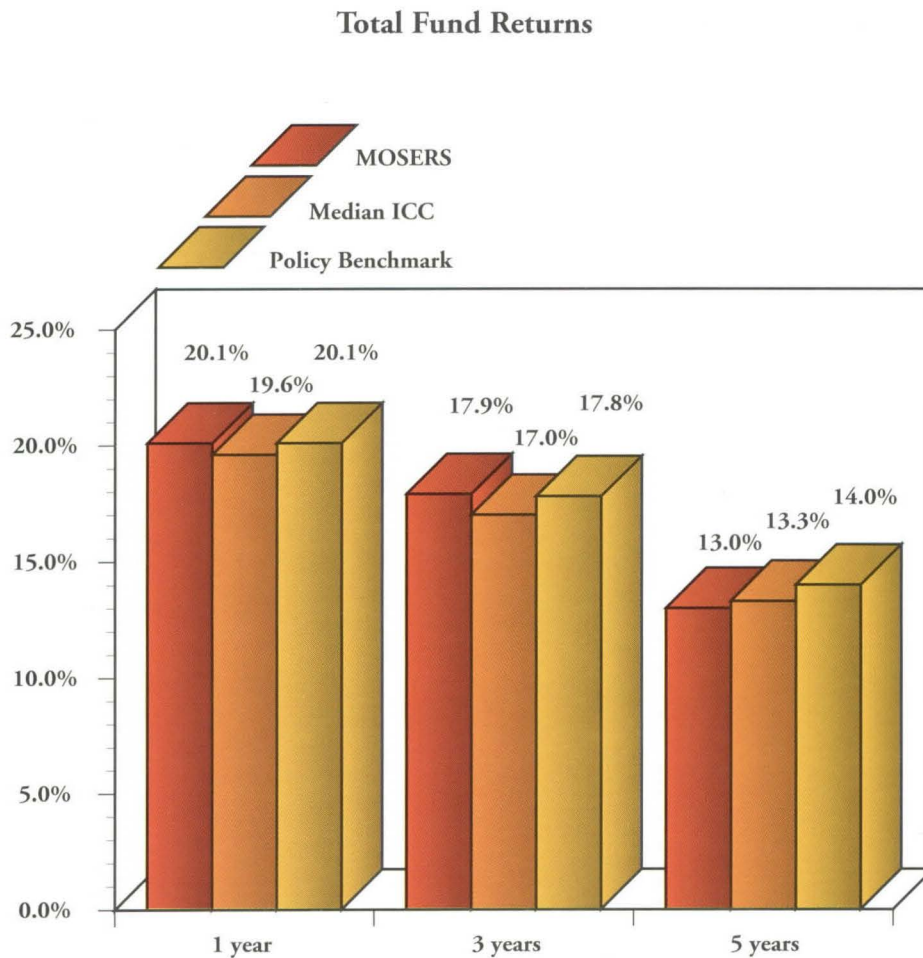


Other - includes Guaranteed Investment Contracts, Venture Capital, and Real Estate.

Total Fund Investment Returns

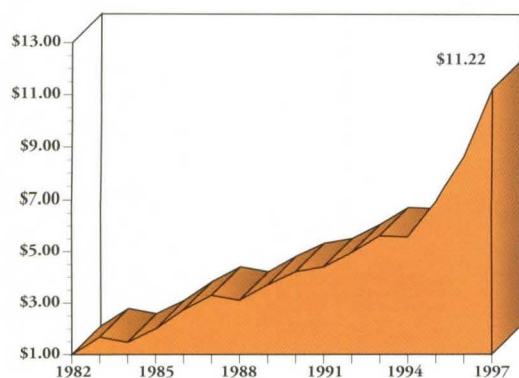
MOSERS' total fund return for the fiscal year was 20.1%, net of fees. This return compared favorably with the median return of 19.6% produced by the Independent Consultants Cooperative (ICC) universe of public pension plans having assets in excess \$1 billion. The ICC is a cooperative consisting of thirteen independent investment consultants across the United States and one major custodial bank that collectively provide performance data in order to create a universe of peer returns. While MOSERS' return was favorable against our peers, the fund also performed in line with the System's 20.1% policy benchmark return. The policy benchmark return is the return that would have been achieved had MOSERS passively implemented the fund's policy asset mix decision through index funds.

The following graph shows one year results as described above and also includes total fund return comparisons for three and five year time periods.



Policy Benchmark = the appropriate mix of Russell 3000, Lehman Aggregate, MSCI EAFE, MSCI Emerging Markets and Russell NCRIF.

Growth of a Dollar in MOSERS' Domestic Equities



Summary of Domestic Equity Investments

U.S. stocks, with a target allocation of 50.0%, are employed by the fund primarily because their historical return premiums over inflation will, if realized in the future, help preserve and enhance the fund's ability to achieve a long-term real rate of return in excess of the 4.0% objective set by the Board. The MOSERS' U.S. stock investment portfolio will emphasize equity securities issued by publicly held corporations domiciled in the United States.

Investment Portfolio Structure

As of June 30, 1997, 66.9% of the U.S. stock portfolio was passively managed while 33.1% was managed actively. Large cap stocks represented 62.4% while medium/small cap stocks represented 37.6%. The stocks within the MOSERS' U.S. stock portfolio can be classified by style as follows: 43.4% value, 28.3% core and 28.3% growth. In Sep-

tember 1995, this portfolio was restructured to be smaller in capitalization and to have a higher concentration of value (lower valuation) stocks than the market in general.

Market Value

As of June 30, 1997, the MOSERS' U.S. stock portfolio had a market value of \$1.972 billion, representing 50.3% of the total fund.

Domestic Equity Portfolio Statistics

The following table displays the statistical characteristics of the MOSERS' U.S. stock portfolio as of June 30, 1997, with comparisons shown to the portfolio's policy benchmark (Russell 3000), and the prior fiscal year.

Characteristic	June 30, 1997 MOSERS'— U.S. Stocks	June 30, 1997 Russell 3000	June 30, 1996 MOSERS'— U.S. Stocks
Number of Securities	1031	3000	982
Avg. Market Capitalization	\$26.8 billion	\$39.2 billion	\$18.5 billion
Portfolio Yield	2.0%	1.7%	2.3%
Portfolio P/E	18.1x	20.1x	15.3x
Portfolio Beta vs. S&P 500	.92	0.99	.94
Price/Book Ratio	3.7x	4.6x	3.3x
Five Yr. Earnings Growth	16.9%	18.0%	13.0%

Ten Largest Holdings June 30, 1997	Market Value	% of Total U.S. Stocks	Ten Largest Holdings June 30, 1996	Market Value	% of Total U.S. Stocks
General Electric	\$33,150,000	1.7	General Electric	\$25,747,400	1.5
Coca Cola	\$26,267,676	1.3	Coca Cola	\$21,900,875	1.3
Intel Corp.	\$25,398,708	1.3	AT&T Corp.	\$20,141,903	1.2
Microsoft	\$23,543,663	1.2	Intel Corp.	\$19,953,105	1.2
Merck & Co.	\$19,282,186	1.0	IBM	\$14,761,890	0.9
Walmart	\$16,836,388	0.9	Merck & Co.	\$14,234,988	0.8
Johnson & Johnson	\$16,055,125	0.8	GTE Corp.	\$14,158,415	0.8
Chevron Corp.	\$15,740,957	0.8	Amoco	\$13,747,025	0.8
Hewlett Packard Co.	\$15,236,158	0.8	Ford Motor Co.	\$13,425,071	0.8
Procter & Gamble Co.	\$14,873,625	0.8	General Motors	\$13,205,466	0.8

Domestic Equity Portfolio Investment Advisors

As of June 30, 1997, MOSERS had contracts with seven external investment advisors for the management of U.S. stock portfolios. Five of these managers are managing active portfolios that are expected to add incremental return over an established benchmark through stock selection, sector selection or some combination of the two. The other two are passive managers whose portfolios are expected to provide broad market diversification and are designed to track the performance of the market at a low cost.

During FY 97 the MOSERS' Board of Trustees terminated Investment Advisers, Inc., when the key members of the product team, employed on MOSERS' account, left to form their own firm, Zak Capital, Inc. The move was not unexpected and, after a formal review, the assets were moved to the new firm to continue the program.

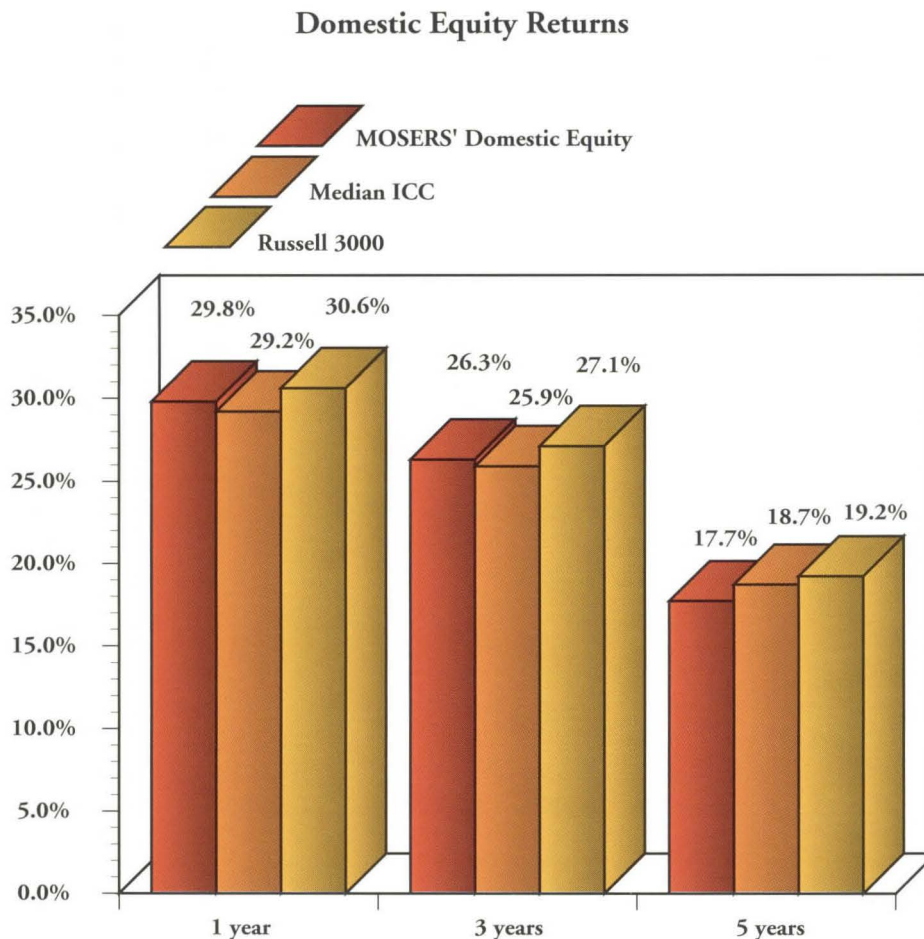
The following is a list of firms that were under contract with MOSERS during all or some portion of FY 97 for management of U.S. stocks. Also displayed in this table are the managers' investment styles, FY 97 ending portfolio market values and the managerial fees paid for the current fiscal year.

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 1997	FY 97 Mgmt Fee
Conning Asset Mgmt.	Passive S&P 500	\$415,730,155	\$87,780
Wilshire Asset Mgmt.	Passive Wilshire Large-Cap Value Wilshire Large-Cap Growth Wilshire Mid-Cap Value	\$254,130,266 \$268,874,432 \$380,688,383	\$93,972 \$99,423 \$140,769
American Re Asset Mgmt. (formerly SENECA, Inc.)	Active Large-Cap Value	\$144,188,334	\$308,459
Woodford/Gayed Capital Mgmt. (formerly Woodford Capital Mgmt)	Active Large-Cap Growth	\$147,404,216	\$372,000
Investment Advisers, Inc.	Active Mid-Cap Growth	\$0	\$328,298
Zak Capital, Inc.	Active Mid-Cap Growth	\$142,050,311	\$157,700
Kennedy Capital Mgmt.	Active Small-Cap Value	\$77,668,788	\$427,537
Capital Guardian Trust Co.	Active Small-Cap Core	\$141,572,985	\$374,270
Total		\$1,972,307,870	\$2,390,208

Domestic Equity Investment Returns

MOSERS' domestic equity return for the fiscal year was 29.8%. This was below the return of the policy benchmark, the Russell 3000 Index, which finished at 30.6%. Within the ICC universe of domestic equity returns for public pension plans, the MOSERS' return was slightly better than the median return of 29.2%. The shortfall compared to the Russell 3000 is largely attributable to the more conservative and smaller company exposure resulting from the restructuring in September of 1995. This restructuring was based on historical performance and the expectations that, **over the long-term, smaller companies and companies with conservative fundamental valuation characteristics, defined as "value" (low price/book, high dividend yield, low p/e) have generated and will continue to generate higher returns with lower volatility, relative to larger companies with higher valuations.** While there will be short-term periods when this structure lags the broad market, it is our belief that, over the long-term, the structure of the MOSERS' U.S. stock portfolio will serve the System well.

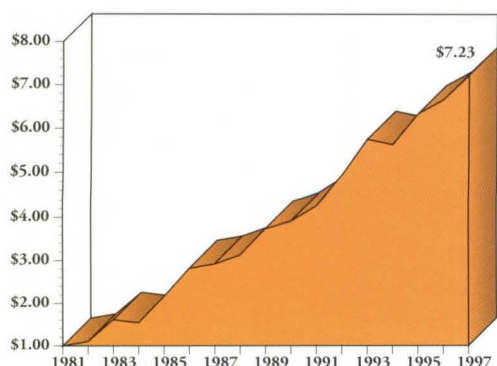
The following graph shows one year results as described above and also includes U.S. stock return comparisons for three and five year time periods.



Schedule of U.S. Stock Brokerage Commissions Paid
Year Ending June 30, 1997

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission	
			Dollar Amount	Per Share
SALOMON BROTHERS INC	12,900,059	\$ 475,702,830	\$ 196,975	\$ 0.015
D E SHAW	6,693,850	212,070,954	57,427	0.009
US CLEARING INSTITUTIONAL	3,203,300	126,932,763	122,319	0.038
INVESTMENT TECHNOLOGY GROUP INC.	2,573,362	95,326,397	67,195	0.026
LYNCH JONES & RYAN	2,357,652	72,840,696	63,146	0.027
PERSHING	1,453,847	65,151,641	25,969	0.018
GOLDMAN SACHS & CO.	1,317,071	50,482,095	33,730	0.026
GARDNER RICH & CO	1,103,980	48,164,470	36,977	0.033
ROCHDALE SECURITIES CORP	762,750	31,483,226	17,067	0.022
MARIA FIORINI RAMIREZ SECURITIES	1,068,800	30,958,718	31,224	0.029
BROADCOURT CAPITAL CORP	1,695,430	25,018,513	7,770	0.005
INSTINET CORP	941,103	23,742,307	28,602	0.030
JEFFERIES & COMPANY, INC	950,489	19,303,575	37,448	0.039
JACKSON PARTNERS & ASSOCIATES	508,945	18,580,019	24,339	0.048
CANTOR, FITZGERALD & CO., INC.	803,349	15,515,616	34,548	0.043
SPEAR LEADS	659,635	15,111,006	13,193	0.020
MONTGOMERY SECURITIES	425,023	13,307,650	22,674	0.053
MERRILL LYNCH	733,050	43,880,926	22,265	0.030
MORGAN STANLEY & CO., INC	335,200	10,436,533	19,404	0.058
LEHMAN BROTHERS INC.	333,850	8,873,253	18,121	0.054
KING SECURITIES	212,600	8,822,522	4,352	0.020
BHF SECURITIES CORPORATION	281,600	8,390,194	6,132	0.022
CHAPMAN & CO	219,000	8,342,930	6,570	0.030
NATIONAL FINANCIAL SERVICES	566,982	7,793,750	25,927	0.046
COWEN & CO	179,050	7,065,317	9,020	0.050
SMITH BARNEY INC.	219,533	6,683,876	9,767	0.044
MESIROW & COMPANY, INC.	234,684	6,513,288	6,132	0.026
LEWCO SEC AGT/WERTHEIM	121,450	5,964,617	6,073	0.050
FIDELITY CAPITAL MARKETS/NFSC	268,000	5,520,666	12,045	0.045
SANFORD BERNSTEIN & CO INC	97,755	5,277,017	5,275	0.054
WILLIAM BLAIR & CO.	193,800	5,189,124	8,160	0.042
PRUDENTIAL BACHE SECURITIES	116,835	5,083,114	5,842	0.050
OTHERS (Includes 72 Brokerage Firms)	3,596,273	86,053,797	174,715	0.049
Total	47,128,307	\$ 1,569,583,400	\$ 1,160,403	\$ 0.025
Zero commission trades excluded above	11,103,037	\$ 245,624,016		

Growth of a Dollar in MOSERS' Domestic Fixed Income



Summary of Domestic Fixed Income Investments

Domestic fixed income, with a target allocation of 32.5% (increased by the Board of Trustees in January 1997 from 30.0%) serves to diversify the equity risk component within the fund. Bonds have traditionally been regarded as a hedge in a disinflationary or deflationary environment. In most periods, fixed income has provided returns substantially in excess of the inflation rate, although not of the magnitude of equity returns. The cash flow predictability of bonds, however, makes the asset class less volatile than equities.

Investment Portfolio Structure

As of June 30, 1997, 59.7% of the fixed income portfolio was passively managed. Another 30.1% was managed in an enhanced index style, in which the manager's portfolio replicated certain subsectors of the bond market, while having

some limited trading flexibility with the expectation of capturing additional return relative to the benchmark. The remaining 10.2% was managed in an active duration management style. The basic portfolio structure was implemented in December of 1994. There was one investment management change in March of 1997, which left sector allocations unchanged but represented a shift of about 20% of total fixed income assets from an enhanced index style to passive.

The major sectors of the fixed income market can be divided among four classes. The Treasury/Agency (Governments) category, the highest quality and most liquid sector, represents 50.6% of the bond market. Corporates comprise 18.6% of the market. Mortgages account for 29.9% with the remaining .9% apportioned to the asset-backed securities sector. The MOSERS' portfolio is structured in such a way as to be approximately market weighted in each of these sectors in the aggregate, with each manager's portfolio being confined to one specific area, so as to capitalize on their expertise. Overall portfolio duration will vary from the broad market by as much as a year, either longer or shorter depending upon the portfolio profile of the active duration manager.

Market Value

As of June 30, 1997, the MOSERS' domestic fixed income portfolio had a market value of \$1.201 billion, representing 30.6% of the total fund.

Domestic Fixed Income Statistics

The following table displays the statistical characteristics of the MOSERS' fixed income portfolio as of June 30, 1997 with comparisons shown to the portfolio's policy benchmark (Lehman Aggregate), and the prior fiscal year.

Characteristic	June 30, 1997 MOSERS'— Fixed Income	June 30, 1997 Lehman Aggregate	June 30, 1996 MOSERS'— Fixed Income
Total Number of Securities	204	6,055	148
Current Yield	6.9 %	7.0 %	7.1 %
Yield to Maturity	6.8 %	6.9 %	7.0 %
Average Life/Maturity	10.7 years	8.7 years	10.5 years
Adjusted Duration	5.5	4.6	5.7
Quality	AAA	AAA	AAA

Ten Largest Holdings June 30, 1997	Market Value	% of Total Domestic Bonds	Ten Largest Holdings June 30, 1996	Market Value	% of Total Domestic Bonds
FNMA 7% 2023-2027	\$82,465,152	6.9%	USTB 6% 2/15/26	\$47,065,324	5.1%
USTB 6% 2/15/26	\$71,036,150	5.9	FNMA 7% 2026	\$31,017,313	3.4
GNMA 8% 2024-2026	\$31,174,645	2.6	USTN 7.875% 11/15/99	\$29,455,746	3.2
FHLB DISC. NT. 7/15/97	\$29,935,800	2.5	FNMA 7% 2024	\$27,350,436	3.0
USTN 7.875% 11/15/99	\$29,248,758	2.4	FHLMC 6.5% 2010-2011	\$25,505,502	2.8
FHLMC 6.5% 2010-2011	\$28,539,769	2.4	USTN 8.75% 10/15/97	\$24,824,880	2.7
USTB 6.875% 8/15/25	\$24,963,263	2.1	USTB 6.875% 8/15/25	\$24,617,320	2.7
USTN 4.75% 9/30/98	\$22,687,430	1.9	GNMA 8.5% 2016-2017	\$23,410,675	2.6
GNMA 8.5% 2016-2017	\$20,467,162	1.7	USTN 4.75% 9/30/98	\$22,313,680	2.4
FHLMC 7.5% 2008-2012	\$19,940,307	1.7	FHLMC 7.5% 2026	\$16,954,766	1.8

key to holdings:

USTB=U.S. Treasury Bond

USTN=U.S. Treasury Note

FHLMC=Federal Home Loan Mortgage Corp.

FNMA=Federal National Mortgage Assoc.

GNMA=Government National Mortgage Assoc.

FHLB=Federal Home Loan Bank

Domestic Fixed Income Investment Advisors

As of June 30, 1997, MOSERS had contracts with two external investment advisors for the management of 40.0% of the fixed income portfolio. Internal management of 60.0% of the fixed income portfolio enables passive participation in a very significant segment of the bond market at a very low cost.

In keeping with low cost internal indexation, the corporate bond portfolio, previously managed by Boatmen's Trust Co., was internalized during FY 97.

The following is a list of firms that were under contract with MOSERS during all or some portion of FY 97 for management of fixed income securities. Also displayed in this table are the managers' investment styles, FY 97 ending portfolio market values and the managerial fees paid in FY 97.

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 1997	FY 97 Mgmt Fee
Boatmen's Trust Co.	Enhanced Index Corporate Bonds	\$0	\$84,826
Black Rock Financial Management Inc.	Enhanced Index Mortgage and Asset-backed Securities	\$361,370,251	\$275,817
Hoisington Investment Management Co.	Active Duration Treasury Securities	\$122,333,072	\$150,000
Total		\$1,200,652,162¹	\$510,643

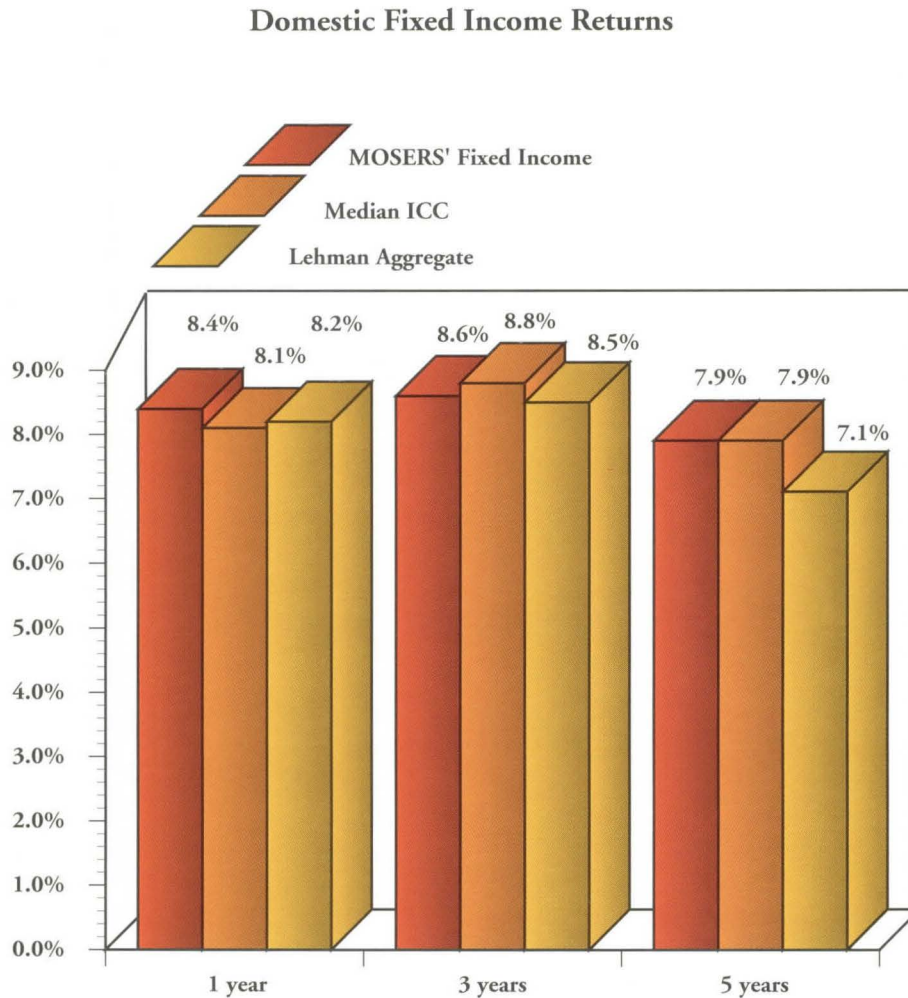
¹This total includes the two internally managed bond portfolios.

These portfolios had a market value of \$716,948,839 as of June 30, 1997.

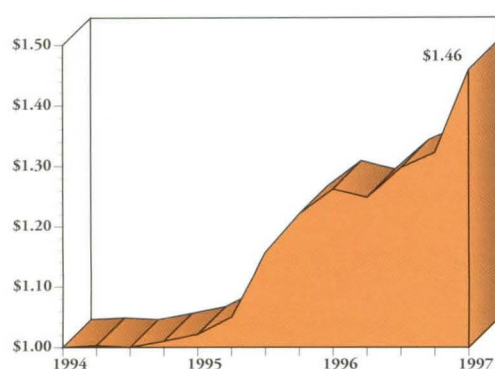
Domestic Fixed Income Investment Returns

MOSERS' fixed income return for the fiscal year was 8.4%, slightly more than the return of its policy benchmark, the Lehman Aggregate Index, which finished at 8.2%. Within the ICC universe of fixed income returns for public pension plans, the MOSERS' return was greater than the median return of 8.1%. Relative to its policy benchmark, MOSERS has historically maintained a longer maturity profile in the fixed income portfolio and, accordingly, outperformed in FY 97 as interest rates were slightly lower at fiscal year end. Maturity selection is the overriding portfolio decision in explaining fixed income investment performance. The longer maturity portfolio strategy has served the fund well over the long-term.

The following graph shows one year results as described above and also includes fixed income return comparisons for three and five year time periods.



Growth of a Dollar in MOSERS' International Equities



Summary of International Equity Investments

Non-U.S. stocks, with a target allocation of 17.5%, are employed by the fund primarily because their historical return premiums versus inflation will, if realized in the future, help preserve and enhance the fund's ability to achieve a long-term rate of return in excess of the 4.0% objective set by the Board. Non-U.S. stocks are also attractive for the diversification benefits they provide to the portfolio. By incorporating non-U.S. stocks into the asset mix, MOSERS expects to achieve overall equity returns which are comparable to that of a U.S. stock portfolio while reducing overall portfolio risk.

Investment Portfolio Structure

As of June 30, 1997, 43.0% of the non-U.S. stock portfolio was passively managed while 57.0% was managed actively. Non-U.S. stock investments consist

of a Morgan Stanley Capital International Europe, Australia and Far East (MSCI EAFE) Index portfolio and two active portfolios. In July, 1995 the Board hired an active developed market manager to complement the EAFE Index portfolio. In July, 1996 the board hired an active emerging markets' manager to round out the global exposure. This manager's benchmark is the Morgan Stanley Capital International Emerging Markets Index (MSCI EMF). The decision to hire the active manager was made to further diversify the non-U.S. stock portfolio. Another component of any international investment is the decision regarding whether or not to hedge currency exposure. The MOSERS' Board of Trustees allows the active managers to hedge currency exposure up to 25.0%, while the passive portfolio is unhedged.

Market Value

As of June 30, 1997, the MOSERS' non-U.S. stock portfolio had a market value of \$704 million, representing 18.0% of the total fund.

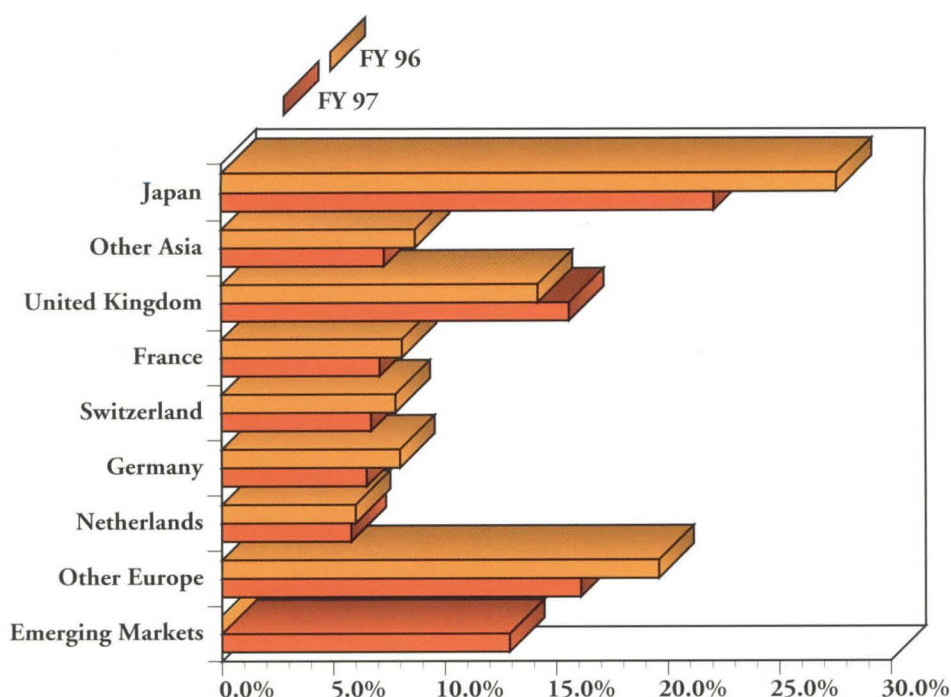
International Equity Portfolio Statistics

The following table displays the statistical characteristics of the MOSERS' International stock portfolio as of June 30, 1997 with comparisons shown to the portfolio's policy benchmark (MSCI EAFE/EMF), and the prior fiscal year.

Characteristic	June 30, 1997 MOSERS'— Int'l Equity	June 30, 1997 MSCI EAFE/EMF	June 30, 1996 MOSERS'— Int'l Equity
Number of Securities	1316	2087	1161
Avg. Market Capitalization	\$5.4 billion	\$5.8 billion	\$5.6 billion
Portfolio Yield	2.4%	1.9%	2.3%
Portfolio P/E	21.3x	25.4x	19.8x
Price/Book Ratio	2.0x	2.4x	1.8x

Ten Largest Holdings June 30, 1997	Market Value	% of Int'l Stocks	Ten Largest Holdings June 30, 1996	Market Value	% of Int'l Stocks
Matsushita Electric (Japan)	\$9,291,532	1.3	Nestle SA (Switzerland)	\$8,222,207	1.6
Nestle SA (Switzerland)	\$9,261,221	1.3	Toyota Motor (Japan)	\$8,155,898	1.6
ING Groep (Netherlands)	\$8,403,488	1.2	Matshushita Electric (Japan)	\$5,842,724	1.4
Gas Y Electricidad (Spain)	\$7,562,037	1.1	Gas Y Electricidad (Spain)	\$5,579,604	1.3
Hitachi Ord (Japan)	\$7,401,626	1.1	Fuji Photo Film (Japan)	\$5,362,619	1.2
Sainsbury (UK)	\$6,951,847	1.0	ABN Amro Holding (Netherlands)	\$5,285,647	1.2
Fuji Photofilm (Japan)	\$6,845,924	1.0	Hitachi Ord (Japan)	\$5,127,401	1.2
Philips Electronics (Netherlands)	\$6,790,633	1.0	ING Groep (Netherlands)	\$5,061,811	1.2
ABN Amro Holding (Netherlands)	\$6,594,937	0.9	Sainsbury (UK)	\$4,954,804	1.2
Bayer AG (Germany)	\$6,156,839	0.9	Sharp Corp. (Japan)	\$4,886,346	1.1

MOSERS' International Country Allocation



The chart above displays how MOSERS' country exposure has changed since June 30, 1996, with the addition of the emerging markets stock manager.

International Equity Portfolio Investment Advisors

As of June 30, 1997, MOSERS had contracts with three external investment advisors for the management of non-U.S. stock portfolios. One manager is managing an active portfolio in developed markets that is expected to add incremental return over an established benchmark through stock selection, country selection and small amounts of currency hedging. The second is under a similar mandate in the emerging markets. The third is a passive manager whose portfolio is expected to provide broad market diversification and is designed to track the performance of the developed non-U.S. market at a low cost.

The following is a list of firms that were under contract with MOSERS during FY 97 for management of non-U.S. stocks. Also displayed in this table are the managers' investment styles, FY 97 ending portfolio market values and the managerial fees paid in FY 97.

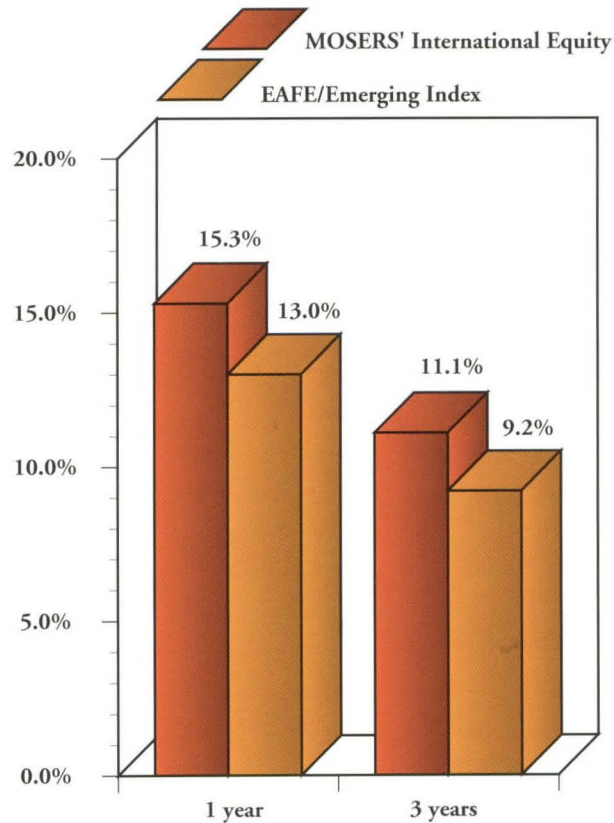
Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 1997	FY 97 Mgmt Fee
Bankers Trust Company	Passive MSCI EAFE Index	\$311,818,749	\$204,215
Silchester International Investors Limited	Active Value Developed Markets	\$302,897,636	\$1,196,310
Morgan Grenfell Investment Services Limited	Active Core Emerging Markets	\$89,262,272	\$560,000
Total		\$703,978,657	\$1,960,525

International Equity Investment Returns

MOSERS' international equity return for the fiscal year was 15.3%, significantly in excess of its policy benchmark, the MSCI EAFE/EMF, which finished at 13.0%. The portfolio return was increased by the strong performance of the active developed market manager. Returns on the mostly unhedged non-U.S. stock portfolio were lower than would have been the case with a fully hedged portfolio, due to a strengthening U.S. dollar over the course of the fiscal year.

The following graph shows results as described above. MOSERS' first allocation to non-U.S. stocks did not occur until July 1994, therefore five year returns are not available. (ICC data is not available for this asset class.)

International Equity Returns



Summary of Cash Investments

Cash investments are employed by the fund to meet liquidity needs and to allow MOSERS' managers a vehicle for investment of funds during brief periods between the sale of an existing security and the purchase of a replacement. This portfolio generally represents between 1% and 2% of the total fund's assets.

Investment Portfolio Structure

MOSERS' cash portfolio on June 30, 1997 was managed by the fund's custodian. The portfolio is managed using fixed income securities with investment guidelines designed to achieve preservation of principal, liquidity and the highest credit quality.

Market Value

As of June 30, 1997, the MOSERS' cash portfolio had a market value of \$9 million, representing 0.2% of the total fund.

Cash Investment Advisor

Bankers Trust managed the cash portfolio for the entire fiscal year. The managerial fees paid for this portfolio in FY 97 totaled \$120,356.

Cash Investment Returns

MOSERS' cash return for the fiscal year was 5.3%.

Summary of "Other" Investments

Included in this portfolio are guaranteed investment contracts (GIC's), shares in a real estate commingled fund, one mortgage loan, three real estate properties and some residual venture capital investments. The GIC's represent approximately 50% of this portfolio and will mature in FY 98. MOSERS' Venture Capital investments were first funded in 1985 after the industry had posted several years of extraordinary returns. Due to the high management expenses and the illiquidity associated with venture investments, MOSERS has made no new allocations since 1990. The remaining real estate in this portfolio is expected to be sold during FY 98.

Investment Portfolio Structure

MOSERS' "Other" Investments portfolio will be reduced to a zero balance over the course of the next several months as the remaining assets mature or are sold.

Market Value

As of June 30, 1997, the "Other" Investments portfolio had a market value of \$35 million representing 0.9% of the total fund.

"Other" Investments Advisor

This portfolio is managed by MOSERS' internal staff.

Schedule of Investment Manager Portfolios by Asset Class

Year Ending June 30, 1997

	Market Value June 30, 1996	Net Flows In/Out of Sector	Income Earned	Change in Market Value	Market Value June 30, 1997	Percent of Total Fund
Passive U.S. Stock Manager Portfolios						
Large Company Stock Portfolios	\$ 799,604,540	\$(112,800,000)	\$ 18,989,233	\$ 232,941,084	\$938,734,857	23.9%
Medium/Small Company Stock Portfolio	307,463,609	(8,000,000)	12,593,965	68,630,809	380,688,383	9.7
Total Passive U.S. Stock Manager Portfolios	\$1,107,068,149	\$(120,800,000)	\$ 31,583,198	\$ 301,571,893	\$ 1,319,423,240	33.7%
Active U.S. Stock Manager Portfolios						
Large Company Stock Portfolios	\$ 229,625,099	\$ (20,600,000)	\$ 5,534,493	\$ 77,032,958	\$ 291,592,550	7.4%
Medium/Small Company Stock Portfolios	361,859,552	(71,600,000)	4,054,451	66,978,081	361,292,084	9.2
Total Active U.S. Stock Manager Portfolios	\$ 591,484,651	\$ (92,200,000)	\$ 9,588,944	\$ 144,011,039	\$ 652,884,634	16.7%
Non-U.S. Stock Manager Portfolios						
Passive EAFE Index Portfolio	\$ 242,119,992	\$33,050,000	\$4,431,510	\$ 32,217,247	\$ 311,818,749	8.0%
Active Value Developed Markets Portfolio	258,935,742	(2,800,000)	5,321,255	41,440,639	302,897,636	7.7
Active Core Emerging Markets Portfolio	-	79,100,000	1,310,001	8,852,271	89,262,272	2.3
Total Non-U.S. Stock Manager Portfolios	\$501,055,734	\$ 109,350,000	\$ 11,062,766	\$ 82,510,157	\$ 703,978,657	18.0%
Total Stock Portfolios	\$2,199,608,534	\$ (103,650,000)	\$ 52,234,908	\$ 528,093,089	\$ 2,676,286,531	68.3%
Fixed Income Portfolios						
Government Bond Portfolio	\$ 458,719,048	\$102,600,000	\$5,724,363	\$ 32,320,954	\$ 599,364,365	15.3%
Corporate Bond Portfolio	184,610,668	38,700,000	15,258,766	1,348,112	239,917,546	6.1
Mortgage & Asset Backed Securities Portfolio	275,817,845	57,100,000	22,000,546	6,451,860	361,370,251	9.2
Total Fixed Income Portfolios	\$ 919,147,561	\$ 198,400,000	\$ 42,983,675	\$ 40,120,926	\$ 1,200,652,162	30.6%
Other Portfolios						
"Other" Investments Portfolio (1)	\$ 72,311,447	\$ (39,659,916)	\$ 2,962,326	\$ (860,520)	\$ 34,753,337	0.9%
Cash Reserve Portfolio	57,038,190	(49,199,260)	1,174,603	0	9,013,533	0.2
Total Other Portfolios	\$129,349,637	\$ (88,859,176)	\$ 4,136,929	\$ (860,520)	\$ 43,766,870	1.1%
Total All Portfolios	\$3,248,105,732	\$ 5,890,824	\$ 99,355,512	\$ 567,353,495	\$ 3,920,705,563	100.0%

Reconciliation to statement of plan net assets

Total portfolio value	\$ 3,920,705,563
Short-term investment funds	(144,006,294)
Investment cash	442,497
Accrued income	(21,806,943)
Foreign exchange receivable	(30,961,621)
Accounts receivable - securities sold	(189,250,600)
Foreign exchange payables	30,961,621
Accounts payable - securities purchased	252,312,602
Accrual of real estate capital improvements and mortgage	76,228
Investments per Statement of Plan Net Assets	\$ 3,818,473,053



Actuarial Section





GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

24 Woodbine Avenue • Northport, New York 11768 • 516-757-0047 • 800-782-0144 • FAX 516-757-0086

October 3, 1997

The Board of Trustees
Missouri State Employees' Retirement System
906 Leslie Boulevard
Jefferson City, MO 65102

Dear Board Members:

The basic financial objective of the Missouri State Employees' Retirement System (MOSERS) is to establish and receive contributions which

- (1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Missouri citizens, and which
- (2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of MOSERS.

In order to measure progress toward this fundamental objective, MOSERS has annual actuarial valuations performed. The valuations (i) measure present financial position, and (ii) establish contribution rates that provide for the current cost and level percent of payroll amortization of unfunded actuarial accrued liability over a reasonable period. The latest completed actuarial valuations were based upon data and assumptions as of June 30, 1997. These valuations indicate that the contribution rates, established by the Board of Trustees for benefits then in effect, meet the basic financial objective. These contribution rates are 12.58% of payroll for 52,737 general state employees, 18.70% of payroll for 45 administrative law judges, and 51.81% of payroll for 365 judges other than administrative law judges.


The actuarial valuations are based upon financial and participant data which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among MOSERS' members and their beneficiaries. The data is reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Trustees and were based upon actual experience of MOSERS during the years 1991 to 1995. Assets are valued on a market related basis that smooths the annual investment gain or loss for the three year period ending on the valuation date. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Actuarial Section. The changes made since the previous valuation are highlighted on page 88. We provided the information used in the supporting schedules in the Actuarial Section and the Schedules of Funding Progress in the Financial Section, as well as the employer contribution rates shown in the Schedule of Employer Contributions in the Financial Section.

Based upon the valuation results, it is our opinion that the Missouri State Employees' Retirement System continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,


Thomas J. Cavanaugh, F.S.A.
Senior Consultant & Actuary


Michael L. Falco, A.S.A.
Actuary

Missouri State Employees' Plan

Summary of Actuarial Assumptions

June 30, 1997

Economic Assumptions

The investment return rate used in the valuations was 8.5% per year, compounded annually (net after investment expenses). This assumption is used to make money payable at one point in time equal in value to a different amount of money payable at another point in time.

Pay increase assumptions for individual active members are shown for sample ages on page 66. Part of the assumption for each age is for merit and/or seniority increase, and the other 4.5% recognizes wage inflation. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.

The active member payroll is assumed to increase 4.5% annually, which is the portion of the individual pay increase assumptions attributable to inflation.

Future cost-of-living adjustments (COLAs) are assumed to be 4.25% per year when a minimum COLA of 4% is in effect; 3.6% per year when no minimum COLA is in effect.

The number of active members is assumed to continue at the present number.

Non-Economic Assumptions

The mortality table, for post retirement mortality, used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table, projected to the year 2000, with a one year setback for men and a seven year age setback for women. Related values are shown on page 67. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

The probabilities of age and service retirement are shown on page 67. It is assumed that each member will be eligible for one-half year of service credit for unused leave at retirement.

The probabilities of withdrawal from service, disability and death-in-service are shown for sample ages on page 66. For disability retirement, impaired longevity was recognized by use of special mortality tables.

The entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost.

Differences in the past between assumed experience and actuarial experience ("actuarial gains and losses") become part of actuarial accrued liabilities.

Unfunded actuarial accrued liabilities are amortized to produce payments, (principal & interest) which are level percent of payroll contributions.

Employer contribution dollars were assumed to be paid in equal installments throughout the employer fiscal year.

The asset valuation method fully recognizes expected investment return and averages unanticipated market return over a three year period.

The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.).

Missouri State Employees' Plan
Summary of Actuarial Assumptions
June 30, 1997

Separations From Active Employment Before Service Retirement
and Individual Pay Increase Assumptions

Sample Ages	Years of Service	Percent of Active Members Separating within the Next Year						Pay Increase Assumptions For An Individual Employee		
		Withdrawal		Death		Disability		Merit & Seniority	Base (Economy)	Increase Next Year
		Men	Women	Men	Women	Men	Women			
	0	28.0%	28.0%							
	1	16.0	16.0							
	2	13.0	13.0							
	3	12.0	12.0							
	4	10.0	10.0							
20	+5	10.0	10.0	.04%	.03%	.00%	.00%	2.7%	4.5%	7.2%
25		10.0	10.0	.04	.04	.04	.02	2.6	4.5	7.1
30		8.8	8.2	.05	.04	.10	.03	2.2	4.5	6.7
35		6.2	5.8	.07	.05	.14	.10	1.9	4.5	6.4
40		4.4	4.7	.10	.07	.18	.15	1.4	4.5	5.9
45		3.4	4.2	.15	.09	.26	.19	1.2	4.5	5.7
50		2.7	3.7	.27	.14	.36	.53	0.7	4.5	5.2
55		1.9	2.6	.49	.24	.69	.74	0.7	4.5	5.2
60		1.2	1.4	.77	.44	1.98	1.59	0.0	4.5	4.5
65		1.0	1.0	1.20	.71	-	-	0.0	4.5	4.5

Single Life Retirement Values

Sample Attained Ages	Present Value of \$1/Month the First Year Increasing 4.25% Yearly				Future Life Expectancy (Years)			
	Service		Disability		Service		Disability	
	Men	Women	Men	Women	Men	Women	Men	Women
40	\$ 214.64	\$ 226.72	\$ 140.38	\$ 164.15	38.46	44.22	19.70	26.02
45	202.28	216.86	130.41	156.72	33.73	39.41	17.50	23.70
50	187.99	204.92	119.42	148.39	29.17	34.67	15.35	21.39
55	171.91	190.99	108.73	139.83	24.82	30.06	13.43	19.18
60	153.85	175.27	99.75	130.57	20.70	25.67	11.87	17.01
65	133.91	157.64	92.34	120.03	16.82	21.50	10.56	14.82
70	113.09	138.02	83.34	107.15	13.32	17.57	9.13	12.50
75	93.21	117.24	71.60	90.70	10.36	13.99	7.49	10.00
80	74.25	97.10	56.64	72.75	7.83	10.91	5.66	7.62
85	58.38	77.87	42.52	56.64	5.89	8.29	4.08	5.66

Percent of Eligible Active Members Retiring Next Year

Retirement Ages	Percent	
	Men	Women
50	25.0%	25.0%
51	25.0	25.0
52	25.0	25.0
53	25.0	25.0
54	25.0	25.0
55	5.0	5.0
56	5.0	5.0
57	5.0	5.0
58	5.0	5.0
59	5.0	8.0
60	10.0	10.0
61	20.0	20.0
62	30.0	35.0
63	20.0	20.0
64	30.0	30.0
65	45.0	45.0
66	35.0	25.0
67	30.0	25.0
68	20.0	25.0
69	20.0	25.0
70	30.0	30.0
71	20.0	25.0
72	20.0	25.0
73	20.0	30.0
74	20.0	30.0
75 & Over	100.0%	100.0%

Pension Trust Funds

Summary of Member Data Included in Valuation

June 30, 1997

Active Members

Valuation Group	Number	Payroll	Group Averages		
			Salary	Age (Yrs)	Service (Yrs)
<i>Missouri State Employees' Plan</i>					
Regular state employees	47,328	\$ 1,156,117,810	\$ 24,428	42.1	9.6
Elected officials	6	508,601	84,767	51.7	8.0
Legislative clerks	152	2,580,901	16,980	45.3	9.0
Legislators	195	5,243,545	26,890	49.2	8.6
Uniformed water patrol	81	2,638,559	32,575	36.7	10.6
Conservation department	1,464	45,573,749	31,130	41.9	13.0
Contract employees	3,511	146,993,501	41,867	48.3	12.8
Total MSEP group	52,737	\$ 1,359,656,666	\$ 25,782	42.5	9.9
<i>Administrative Law Judges' and Legal Advisors' Plan</i>					
	45	\$ 2,865,733	\$ 63,683	45.1	7.9
<i>Non-funded Judicial Plan</i>					
	365	\$ 31,663,101	\$ 86,748	52.2	11.3

Retired Lives

Type of Benefit Payment	Number	Annual Benefits	Group Averages	
			Benefit	Age (Yrs)
<i>Missouri State Employees' Plan</i>				
Retirement	14,067	\$ 120,417,372	\$ 8,560	72.0
Disability	77	301,452	3,915	57.2
Survivor of active member	814	3,744,192	4,600	58.9
Survivor of retired member	651	4,001,268	6,146	72.2
Total MSEP group	15,609	\$ 128,464,284	\$ 8,230	71.2
<i>Administrative Law Judges' and Legal Advisors' Plan</i>				
	21	\$ 604,536	\$ 28,787	71.4
<i>Non-funded Judicial Plan</i>				
	333	\$ 10,501,068	\$ 31,535	75.4

Others

Group	Terminated Vested	Leave of Absence	Long-Term Disability
<i>Missouri State Employees' Plan</i>	10,197	337	853
<i>Administrative Law Judges' and Legal Advisors' Plan</i>	12	0	0
<i>Non-funded Judicial Plan</i>	64	0	2

Missouri State Employees' Plan
Active Members by Attained Age and Years of Service
June 30, 1997

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	59							59	\$ 826,876
20-24	1,903	10						1,913	33,056,552
25-29	5,001	668	33					5,702	120,759,286
30-34	3,364	2,006	808	34				6,212	144,666,878
35-39	2,744	1,883	1,591	858	88			7,164	176,161,539
40-44	2,536	1,791	1,516	1,341	876	64		8,124	213,812,409
45-49	2,182	1,726	1,436	1,296	1,433	687	54	8,814	243,545,976
50-54	1,488	1,265	1,103	961	938	924	308	6,987	199,129,840
55-59	858	842	728	621	578	510	425	4,562	133,857,428
60	103	121	106	85	87	79	83	664	19,016,087
61	89	104	134	98	62	58	80	625	18,047,797
62	66	98	104	67	53	55	56	499	14,332,970
63	42	96	66	50	31	28	39	352	10,642,693
64	31	59	56	46	24	22	27	265	8,256,967
65	37	42	47	29	29	21	30	235	6,894,530
66	20	24	26	13	14	9	17	123	3,784,785
67	16	20	18	19	10	6	11	100	3,225,417
68	8	17	15	11	13	7	9	80	2,385,447
69	6	9	14	13	4	1	7	54	1,599,314
70 & Over	17	20	42	39	36	23	26	203	5,653,875
Totals	20,570	10,801	7,843	5,581	4,276	2,494	1,172	52,737	\$ 1,359,656,666

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	42.5 Years
Service	9.9 Years
Annual Pay	\$25,782

Administrative Law Judges' and Legal Advisors' Plan
Active Members by Attained Age and Years of Service

June 30, 1997

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
25-29	1							1	\$ 34,253
30-34	2	2						4	219,735
35-39	5	5						10	613,066
40-44	3	6	1					10	643,231
45-49	3	3	4					10	690,220
50-54	2			1	1			4	276,959
55-59	1	1						2	147,303
60					1			1	58,411
66					1			1	57,024
70 & Over			1				1	2	125,531
Totals	17	17	6	1	3	0	1	45	\$ 2,865,733

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	45.1 Years
Service	7.9 Years
Annual Pay	\$63,683

Judicial Plan

Active Members by Attained Age and Years of Service

June 30, 1997

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
30-34	1	1						2	\$ 161,244
35-39	13	5						18	1,480,154
40-44	24	12	6	4				46	3,939,806
45-49	26	20	21	13	3			83	7,194,914
50-54	21	20	15	11	10			77	6,589,775
55-59	9	17	14	13	8	3	1	65	5,712,803
60		2	1			1		4	351,434
61	1	3	1	2	1	1		9	783,490
62		1	3	2	2			8	713,709
63	1		1		2	1	1	6	516,255
64				2	4			6	570,570
65	1	3	1	2	1	1		9	790,644
66			3	1	1	2	2	9	787,067
67		1	2	2	2	1	1	9	801,485
68	1		2	1	1	1	2	8	731,814
69				2	1	1		4	355,011
70 & Over			1			1		2	182,926
Totals	98	85	71	55	36	13	7	365	\$ 31,663,101

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	52.2 Years
Service	11.3 Years
Annual Pay	\$86,478

Missouri State Employees' Retirement System
Schedule of Active Member Valuation Data
Six Years Ended June 30, 1997

Missouri State Employees Plan

Schedule of Active Member Valuation Data				
Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
June 30, 1992	46,616	\$ 1,030,240,894	\$ 22,101	0.48%
June 30, 1993	47,954	1,063,246,615	22,172	0.32
June 30, 1994	49,436	1,124,862,008	22,754	2.62
June 30, 1995	50,524	1,198,938,042	23,730	4.29
June 30, 1996	51,425	1,267,605,000	24,650	3.88
June 30, 1997	52,737	1,359,656,666	25,782	4.59

Administrative Law Judges' and Legal Advisors' Plan

Schedule of Active Member Valuation Data				
Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
June 30, 1992	31	\$ 1,725,380	\$ 55,657	-2.47%
June 30, 1993	34	1,931,355	56,805	2.06
June 30, 1994	36	2,094,062	58,168	2.40
June 30, 1995	37	2,166,275	58,548	0.65
June 30, 1996	46	2,706,314	58,833	0.49
June 30, 1997	45	2,865,733	63,683	8.24

Judicial Plan

Schedule of Active Member Valuation Data				
Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
June 30, 1992	352	\$ 26,402,164	\$ 75,006	0.81%
June 30, 1993	355	26,641,236	75,046	0.05
June 30, 1994	354	27,006,602	76,290	1.66
June 30, 1995	357	27,984,008	78,387	2.75
June 30, 1996	366	29,908,056	81,716	4.25
June 30, 1997	365	31,663,101	86,478	5.83

Missouri State Employees' Retirement Plan
Retirees and Beneficiaries Added and Removed
 Ten Years Ended June 30, 1997

	Beginning Balance	Additions	Deletions	Ending Balance
<i>FY 88</i>				
Retirees	9,514	1,322	875	9,961
Beneficiaries	576	96	21	651
<i>FY 89</i>				
Retirees	9,961	966	553	10,374
Beneficiaries	651	105	36	720
<i>FY 90</i>				
Retirees	10,374	866	540	10,700
Beneficiaries	720	102	27	795
<i>FY 91</i>				
Retirees	10,700	898	467	11,131
Beneficiaries	795	91	22	864
<i>FY 92</i>				
Retirees	11,131	936	460	11,607
Beneficiaries	864	117	36	945
<i>FY 93</i>				
Retirees	11,607	996	502	12,101
Beneficiaries	945	107	38	1,014
<i>FY 94</i>				
Retirees	12,101	957	542	12,516
Beneficiaries	1,014	168	47	1,135
<i>FY 95</i>				
Retirees	12,516	1186	561	13,141
Beneficiaries	1,135	154	46	1,243
<i>FY 96</i>				
Retirees	13,141	1108	600	13,649
Beneficiaries	1,243	154	42	1,355
<i>FY 97</i>				
Retirees	13,649	1,107	612	14,144
Beneficiaries	1,355	153	43	1,465

Administrative Law Judges' and Legal Advisors' Plan
Retirees and Beneficiaries Added and Removed
 Ten Years Ended June 30, 1997

	Beginning Balance	Additions	Deletions	Ending Balance
<i>FY 88</i>				
Retirees	3	3	0	6
Beneficiaries	0	0	0	0
<i>FY 89</i>				
Retirees	6	1	0	7
Beneficiaries	0	0	0	0
<i>FY 90</i>				
Retirees	7	2	0	9
Beneficiaries	0	0	0	0
<i>FY 91</i>				
Retirees	9	3	1	11
Beneficiaries	0	2	0	2
<i>FY 92</i>				
Retirees	11	4	1	14
Beneficiaries	2	1	0	3
<i>FY 93</i>				
Retirees	14	2	0	16
Beneficiaries	3	0	0	3
<i>FY 94</i>				
Retirees	16	1	0	17
Beneficiaries	3	0	0	3
<i>FY 95</i>				
Retirees	17	1	1	17
Beneficiaries	3	1	0	4
<i>FY 96</i>				
Retirees	17	0	0	17
Beneficiaries	4	0	0	4
<i>FY 97</i>				
Retirees	17	1	4	14
Beneficiaries	4	3	0	7

Judicial Plan

Retirees and Beneficiaries Added and Removed

Ten Years Ended June 30, 1997

	Beginning Balance	Additions	Deletions	Ending Balance
<i>FY 88</i>				
Retirees	143	23	13	153
Beneficiaries	88	11	2	97
<i>FY 89</i>				
Retirees	153	16	14	155
Beneficiaries	97	13	2	108
<i>FY 90</i>				
Retirees	155	14	5	164
Beneficiaries	108	6	3	111
<i>FY 91</i>				
Retirees	164	23	10	177
Beneficiaries	111	15	4	122
<i>FY 92</i>				
Retirees	177	19	14	182
Beneficiaries	122	8	5	125
<i>FY 93</i>				
Retirees	182	11	10	183
Beneficiaries	125	5	6	124
<i>FY 94</i>				
Retirees	183	15	12	186
Beneficiaries	124	11	4	131
<i>FY 95</i>				
Retirees	186	27	7	206
Beneficiaries	131	8	3	136
<i>FY 96</i>				
Retirees	206	11	10	207
Beneficiaries	136	6	12	130
<i>FY 97</i>				
Retirees	207	6	7	206
Beneficiaries	130	6	9	127

Short-Term Solvency Test

Ten Years Ended June 30, 1997

Missouri State Employees' Plan

Fiscal Year	Actuarial Accrued Liabilities for						
	Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Asset Available For		
					(1)	(2)	(3)
1988	\$ 496,248	\$ 370,132,734	\$ 1,198,613,048	\$ 1,255,558,874	100.0%	100.0%	73.8%
1989	492,278	492,128,269	1,289,505,018	1,417,715,534	100.0	100.0	71.7
1990	482,785	520,837,298	1,340,045,133	1,587,114,827	100.0	100.0	79.5
1991	465,307	587,489,069	1,464,646,384	1,793,370,043	100.0	100.0	82.3
1992	455,328	662,010,170	1,629,118,392	1,991,215,165	100.0	100.0	81.6
1993	448,909	743,697,883	1,703,075,268	2,236,558,739	100.0	100.0	87.6
1994	448,559	909,819,763	2,009,188,103	2,425,134,504	100.0	100.0	75.4
1995	448,559	1,010,431,608	2,139,916,413	2,649,077,134	100.0	100.0	76.6
1996	448,559	1,156,347,608	2,283,330,316	2,927,896,643	100.0	100.0	77.6
1997	448,501	1,552,966,747	2,930,632,553	3,580,974,502	100.0	100.0	69.2

Administrative Law Judges' and Legal Advisors' Plan

Fiscal Year	Actuarial Accrued Liabilities for						
	Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Asset Available For		
					(1)	(2)	(3)
1988	\$ 0	\$ 1,752,412	\$ 3,630,756	\$ 2,723,051	100.0%	100.0%	26.7%
1989	0	2,109,119	4,341,140	3,348,429	100.0	100.0	28.5
1990	0	2,479,268	3,789,264	4,093,598	100.0	100.0	42.6
1991	0	3,587,023	3,615,836	4,707,938	100.0	100.0	31.0
1992	0	4,910,423	2,572,992	5,247,546	100.0	100.0	13.1
1993	0	5,615,161	2,549,307	5,864,317	100.0	100.0	9.8
1994	0	5,973,718	2,793,014	6,229,224	100.0	100.0	9.1
1995	0	6,088,732	3,641,223	6,655,207	100.0	100.0	15.6
1996	0	6,196,526	4,079,837	7,258,814	100.0	100.0	26.0
1997	0	6,569,957	4,857,224	8,864,395	100.0	100.0	47.2

Judicial Plan

Fiscal Year	Actuarial Accrued Liabilities for						
	Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Asset Available For		
					(1)	(2)	(3)
Information prior to fiscal year 1989 is not available.							
1989	\$ 0	\$ 51,985,358	\$ 45,419,078	\$ 0	100.0%	0.0%	0.0%
1990	0	50,907,136	50,993,604	0	100.0	0.0	0.0
1991	0	57,923,939	61,128,646	0	100.0	0.0	0.0
1992	0	64,240,019	62,900,515	0	100.0	0.0	0.0
1993	0	65,843,955	66,598,009	0	100.0	0.0	0.0
1994	0	70,477,754	71,117,871	0	100.0	0.0	0.0
1995	0	81,586,593	72,060,389	0	100.0	0.0	0.0
1996	0	86,145,180	75,588,930	0	100.0	0.0	0.0
1997	0	99,662,179	97,810,394	0	100.0	0.0	0.0

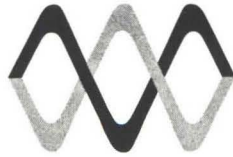
Missouri State Employees' Plan
Derivation of Experience Gain (Loss)
 Year Ended June 30, 1997

Actual experience will never (except by coincidence) coincide with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the experience gain (loss) for the year ended June 30, 1997 is shown below.

	Funded Benefits \$ Millions
(1) UAAL* at start of Year	\$512.2
(2) Normal cost from last valuation	99.5
(3) Actual employer contributions	146.4
(4) Interest Accrual: $(1) \times .085 = [(2) - (3)] \times (.085 \div 2)$	41.5
(5) Expected UAAL before changes: $(1) + (2) - (3) + (4)$	506.8
(6) Change from any changes in benefits, assumptions, or methods	587.1
(7) Expected UAAL after changes: $(5) + (6)$	1093.9
(8) Actual UAAL at end of year	903.1
(9) Gain (loss) $(7) - (8)$	190.8
(10) Gain (loss) as percent of actuarial accrued liabilities at start of year (\$3,440)	5.5%

*Unfunded actuarial accrued liability.

Valuation Date June 30	Actuarial Gain (Loss) As a % of Beginning Accrued Liabilities
1993	4.0%
1994	2.9
1995	0.6
1996	0.4
1997	5.5



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June 24, 1997

To the MOSERS' Board of Trustees:

I, Thomas K. Custis, certify that the following is a true, correct, and complete copy of the executive summary section outlining all substantive findings of a comprehensive actuarial review of the Missouri State Employees' Retirement System completed June 6, 1997, under my direct supervision:

The primary purpose of an actuarial review is to provide assurance to the Board that the actuarial functions of its retirement program are being completed properly in accordance with all applicable statutes and actuarial standards of practice. Secondly, we take this review as an opportunity to identify any areas where we believe the current procedures could be improved in order to achieve greater value and understanding from the actuarial services performed.

Our conclusions with regard to the primary issues of this review are as follows:

- ◆ The results of the June 30, 1996, actuarial valuation
 - ... have been prepared using reasonable and appropriate actuarial assumptions;
 - ... have been prepared using a reasonable and appropriate actuarial funding method, properly applied;
 - ... have been prepared by fully qualified actuaries and in accordance with all applicable Actuarial Standards of Practice; and, therefore,
 - ... present a fair and reasonable representation of the actuarial accrued liabilities of the Missouri State Employees' Retirement System; and
 - ... develop contributions rates which are appropriate to satisfy the funding obligations of the System.

Other highlights of our review process and minor “fine-tuning” suggestions are summarized below:

- ◆ We believe that the data maintenance and transmission procedures in place at Missouri State Employees’ Retirement System (MOSERS) are excellent, providing a strong foundation for good actuarial services.
- ◆ We believe that the actuarial assumptions in use are reasonable and appropriate. We have identified a few areas where consideration of refinement may be warranted.
- ◆ We believe the Entry Age Normal actuarial cost method is appropriate for the Missouri State Employees’ Retirement System and that the retained actuary is applying the method properly. While we have included a cautionary explanation regarding the amortization of Unfunded Actuarial Accrued Liability as a level percentage of pay, this is not an indication that we think this method is inappropriate, nor are we recommending any change in this method be considered.
- ◆ We believe that Gabriel, Roeder, Smith & Co. (GRS) is performing the actuarial valuation function correctly. While we did not identify any significant computational errors, we have identified several sources of potential actuarial loss which the actuary may wish to anticipate as they accrue instead of absorbing as they subsequently emerge.
- ◆ In general, GRS reports are complete and well-presented. We have made some relatively minor suggestions for improving or clarifying overall report content.
- ◆ The annual valuation process is compressed into a relatively short time frame due to certain timing requirements imposed on MOSERS and the actuary. This short time line has not seemed to adversely affect the performance of GRS in the recent past, but it provides the actuary little cushion to deal with possible problems. When changes are made in benefits or assumptions, the actuary has to complete numerous programming changes and validation checks in order to assure correct results. It is not prudent to impose stringent time constraints which may prevent appropriate checking and review.

It has been our pleasure to participate in this actuarial review. Overall, we have been favorably impressed with the performance of the actuarial functions. Messrs. Cavanaugh and Falco, their staff, as well as MOSERS’ staff, should be commended on a job well done.

Respectfully submitted,

MILLIMAN & ROBERTSON, INC.



Thomas K. Custis,
F.S.A. Consulting Actuary
TKC/bh

Summary of Plan Provisions

This summary describes the plan provisions of the Revised Statutes of Missouri (RSMo), as amended, that governed the programs which MOSERS administered during the period covered by this report. It does not overrule any applicable statute or administrative rule and, in the event of a conflict, the applicable statute or rule would apply.

General Employee Retirement Plan As of 6/30/97

Plan Provision	Requirement
<i>Membership Eligibility</i>	Members who work in a position normally requiring at least 1,000 hours of work a year who are not simultaneously accumulating creditable service under another retirement program supported by State contributions (other than social security).
<i>Normal Retirement Eligibility</i>	Age 65 and active with 4 yrs. service Age 65 with 5 yrs. service Age 60 with 15 yrs. service Rule of 80/minimum age 50
<i>Early Retirement Eligibility</i>	Age 55 with at least 10 yrs. service with reduced benefits.
<i>Benefit Formula</i>	The greater of 1.6% of the average highest 36 consecutive months of salary times creditable service or \$15 times full years of creditable service.
<i>Creditable Service</i>	Combination of the creditable prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service the member has as a member of MOSERS.
<i>Vesting</i>	5 years of vesting service is required for establishing benefit eligibility.
<i>Cost-of-Living Adjustment (COLA)</i>	Annual COLAs equivalent to 80% of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4% and a maximum of 5% not to exceed a cumulative cap of 65% of original benefit.
<i>Survivor Benefit</i> <i>(Death Before Retirement)</i>	A joint and 100% survivor benefit, based on the member's accrued benefit, will be paid to the eligible surviving spouse, or 50% of the accrued benefit to eligible children if there is no surviving spouse, provided the member is fully vested.
<i>Optional Form of Payment</i>	<p>A member may chose one of the following options at retirement:</p> <p><u>Life Income Annuity.</u> A benefit is paid for the member's lifetime only. No benefit continues to a survivor after death.</p> <p><u>Joint & 50% Survivor Option.</u> The member receives a reduced monthly benefit for life. Upon death of the member, the spouse receives 50% of the benefit the retired member was receiving on the date of death provided the spouse was married to the member and named on the application at the date of retirement.</p> <p><u>Joint and 100% Survivor Option.</u> The member receives a reduced monthly benefit for life. Upon death of the member, the spouse receives a monthly benefit equal to 100% of the retirement benefit the member was receiving at the time of death provided the spouse was married to the member and named on the application at the date of retirement.</p> <p><u>Lifetime Income with Guaranteed Payments (60 or 120 months).</u> A member receives a reduced monthly benefit for life. If the member dies prior to receiving the guaranteed number of payments, the beneficiary will receive the remaining number of payments. If the member lives longer than the guaranteed number of payments, no payments will be made to the beneficiary.</p> <p>Under either Joint & Survivor Option, if the designated surviving spouse dies before the retiree, the retiree's benefit will "pop-up" or revert to the life income annuity amount effective the first of the month following the spouse's death.</p>

Department of Conservation Retirement Plan
As of 6/30/97

Plan Provision	Requirement
<i>Membership Eligibility</i>	Members who work in a position normally requiring at least 1,000 hours of work a year who are not simultaneously accumulating creditable service under another retirement program supported by State contributions (other than social security).
<i>Normal Retirement Eligibility</i>	Age 65 and active with 4 yrs. service Age 65 with 5 yrs. service Age 60 with 15 yrs. service Rule of 80/minimum age 50
<i>Early Retirement Eligibility</i>	Age 55 with at least 10 yrs. service with reduced benefits.
<i>Benefit Formula</i>	The greater of 1.6% of the average highest 36 consecutive months of salary times creditable service or \$15 times full years of creditable service.
<i>Creditable Service</i>	Combination of the creditable prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service the member has as a member of MOSERS.
<i>Vesting</i>	5 years of vesting service is required for establishing benefit eligibility.
<i>Cost-of-Living Adjustment (COLA)</i>	Annual COLAs equivalent to 80% of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4% and a maximum of 5% not to exceed a cumulative cap of 65% of original benefit.
<i>Survivor Benefit (Death Before Retirement)</i>	A joint and 100% survivor benefit, based on the member's accrued benefit, will be paid to the eligible surviving spouse, or 50% of the accrued benefit to eligible children if there is no surviving spouse, provided the member is fully vested.
<i>Optional Form of Payment</i>	<p>A member may chose one of the following options at retirement:</p> <p><u>Life Income Annuity.</u> A benefit is paid for the member's lifetime only. No benefit continues to a survivor after death.</p> <p><u>Unreduced Joint & 50% Survivor Option.</u> The member receives an unreduced monthly benefit for life. Upon death of the member, the spouse receives 50% of the benefit the retired member was receiving on the date of death provided the spouse was married to the member and named on the application at the date of retirement.</p> <p><u>Joint and 100% Survivor Option.</u> The member receives a reduced monthly benefit for life. Upon death of the member, the spouse receives a monthly benefit equal to 100% of the retirement benefit the member was receiving at the time of death provided the spouse was married to the member and named on the application at the date of retirement.</p> <p><u>Lifetime Income with Guaranteed Payments (60 or 120 months).</u> A member receives a reduced monthly benefit for life. If the member dies prior to receiving the guaranteed number of payments, the beneficiary will receive the remaining number of payments. If the member lives longer than the guaranteed number of payments, no payments will be made to the beneficiary.</p> <p>Under the Joint & 100% Survivor Option, if the designated surviving spouse dies before the retiree, the retiree's benefit will "pop-up" or revert to the life income annuity amount effective the first of the month following the spouse's death.</p>

Water Patrol Retirement Plan

As of 6/30/97

<i>Plan Provision</i>	<i>Requirement</i>
<i>Membership Eligibility</i>	Uniformed members who work in a position normally requiring at least 1,000 hours of work a year who are not simultaneously accumulating creditable service under another retirement program supported by State contributions (other than social security).
<i>Normal Retirement Eligibility</i>	Age 55 and active with 4 yrs. service Age 55 with 5 yrs. service Rule of 80/minimum age 50
<i>Early Retirement Eligibility</i>	No provision.
<i>Benefit Formula</i>	1.6% times the average highest 36 consecutive months of salary times creditable service increased by 33.3%.
<i>Creditable Service</i>	Combination of the creditable prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service the member has as a member of MOSERS.
<i>Vesting</i>	5 years of vesting service is required for establishing benefit eligibility.
<i>Cost-of-Living Adjustment (COLA)</i>	Annual COLAs equivalent to 80% of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4% and a maximum of 5% not to exceed a cumulative cap of 65% of original benefit.
<i>Survivor Benefit (Death Before Retirement)</i>	A joint and 100% survivor benefit, based on the member's accrued benefit, will be paid to the eligible surviving spouse, or 50% of the accrued benefit to eligible children if there is no surviving spouse, provided the member is fully vested.
<i>Optional Form of Payment</i>	<p>A member may chose one of the following options at retirement:</p> <p><u>Life Income Annuity.</u> A benefit is paid for the member's lifetime only. No benefit continues to a survivor after death.</p> <p><u>Joint & 50% Survivor Option.</u> The member receives a reduced monthly benefit for life. Upon death of the member, the spouse receives 50% of the benefit the retired member was receiving on the date of death provided the spouse was married to the member and named on the application at the date of retirement.</p> <p><u>Joint and 100% Survivor Option.</u> The member receives a reduced monthly benefit for life. Upon death of the member, the spouse receives a monthly benefit equal to 100% of the retirement benefit the member was receiving at the time of death provided the spouse was married to the member and named on the application at the date of retirement.</p> <p><u>Lifetime Income with Guaranteed Payments (60 or 120 months).</u> A member receives a reduced monthly benefit for life. If the member dies prior to receiving the guaranteed number of payments, the beneficiary will receive the remaining number of payments. If the member lives longer than the guaranteed number of payments, no payments will be made to the beneficiary.</p> <p>Under either Joint & Survivor Option, if the designated surviving spouse dies before the retiree, the retiree's benefit will "pop-up" or revert to the life income annuity amount effective the first of the month following the spouse's death.</p>

Legislators' Retirement Plan
As of 6/30/97

Plan Provision	Requirement
<i>Membership Eligibility</i>	Must be a member of the General Assembly.
<i>Normal Retirement Eligibility</i>	Age 55 and completion of 3 full biennial assemblies.
<i>Early Retirement Eligibility</i>	No provision.
<i>Benefit Formula</i>	\$150 per month per biennial assembly.
<i>Creditable Service</i>	Combination of the creditable prior service a member has accrued before becoming a member of MOSERS and the years and full months of membership service the member has as a member of MOSERS.
<i>Vesting</i>	Completion of 3 full biennial assemblies is required for establishing benefit eligibility.
<i>Cost-of-Living Adjustment (COLA)</i>	Annual COLAs equivalent to 80% of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4% and a maximum of 5% not to exceed a cumulative cap of 65% of original benefit.
<i>Survivor Benefit</i> <i>(Death Before and After Retirement)</i>	<u>Unreduced Joint & 50% Survivor Option</u> . Upon the death of the member, 50% of the member's accrued benefit will be paid to the eligible surviving spouse provided the member is fully vested.

Statewide Elected Officials' Retirement Plan
As of 6/30/97

Plan Provision	Requirement
<i>Membership Eligibility</i>	Must be elected to statewide office.
<i>Normal Retirement Eligibility</i>	Age 65 with 4 yrs. Service Age 60 with 15 yrs. Service Rule of 80/minimum age 50
<i>Early Retirement Eligibility</i>	Age 55 with at least 10 yrs. service with reduced benefits.
<i>Benefit Formula</i>	12 yrs. or more service will result in a benefit equivalent to 50% of the current statutory compensation for the highest office held. Less than 12 yrs., benefit is equivalent to 1.6% times creditable service times the highest 36 consecutive months of average compensation.
<i>Creditable Service</i>	Combination of the creditable prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service the member has as a member of MOSERS.
<i>Vesting</i>	Completion of 4 yrs. of vesting service is required for establishing benefit eligibility.
<i>Cost-of-Living Adjustment (COLA)</i>	Annual COLAs equivalent to 80% of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4% and a maximum of 5% not to exceed a cumulative cap of 65% of original benefit.
<i>Survivor Benefit</i> <i>(Death After Retirement)</i>	<u>Unreduced Joint & 50% Survivor Option</u> . Upon the death of the member, 50% of the member's accrued benefit will be paid to the eligible surviving spouse.

Administrative Law Judges' and Legal Advisors' Retirement Plan
As of 6/30/97

Plan Provision	Requirement
<i>Membership Eligibility</i>	Must be an administrative law judge or legal advisor of the Division of Worker's Compensation, a member or legal counsel of the Labor and Industrial Relations Commission, or a member of the State Board of Mediation.
<i>Normal Retirement Eligibility</i>	Age 65 with 12 yrs. of service Age 55 with 20 yrs. service
<i>Early Retirement Eligibility</i>	Age 65 with less than 12 years service with benefit reduced based upon years of service relative to 12 years.
<i>Benefit Formula</i>	12 yrs. or more service will provide a benefit equivalent to 50% of the average highest 12 consecutive months of salary received. Less than 12 yrs., benefit is 4.17% times creditable service times the average highest 12 consecutive months of compensation.
<i>Creditable Service</i>	Combination of the creditable prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service the member has as a member of MOSERS.
<i>Vesting</i>	Immediate vesting.
<i>Cost-of-Living Adjustment (COLA)</i>	Annual COLAs equivalent to 80% of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4% and a maximum of 5% not to exceed a cumulative cap of 65% of original benefit.
<i>Survivor Benefit (Death Before Retirement)</i>	The eligible spouse receives up to 50% of the benefit the member would have received based on service relative to 12 years.
<i>Survivor Benefit (Death After Retirement)</i>	<u>Unreduced Joint & 50% Survivor Option.</u> Upon the death of the member, 50% of the member's accrued benefit will be paid to the eligible surviving spouse.

Judicial Retirement Plan
As of 6/30/97

Plan Provision	Requirement
<i>Membership Eligibility</i>	Must be a judge.
<i>Normal Retirement Eligibility</i>	Age 62 with 12 yrs. of service Age 60 with 15 yrs. service
<i>Early Retirement Eligibility</i>	Age 62 with less than 12 years service or age 60 with less than 15 years service with benefit reduced based upon years of service relative to service required for full benefits.
<i>Benefit Formula</i>	12 yrs. or more service will provide a benefit equivalent to 50% of the average monthly compensation of the highest judicial position held. Less than 12 yrs., benefit is 4.17% times creditable service times the average monthly compensation of the highest judicial position held.
<i>Creditable Service</i>	Combination of the creditable prior service a member accrued before becoming a member of MOSERS and the years and full months of membership service the member has as a member of MOSERS.
<i>Vesting</i>	Immediate vesting.
<i>Cost-of-Living Adjustment (COLA)</i>	Annual COLAs equivalent to 80% of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4% and a maximum of 5% not to exceed a cumulative cap of 65% of original benefit.
<i>Survivor Benefit (Death Before Retirement)</i>	The eligible spouse receives 50% of the benefit the member would have received based on service to age 70.
<i>Survivor Benefit (Death After Retirement)</i>	<u>Unreduced Joint & 50% Survivor Option</u> . Upon the death of the member, 50% of the member's accrued benefit will be paid to the eligible surviving spouse.

Contributions

The plans previously described are noncontributory plans, with the entire cost paid by the State of Missouri. The contribution rate paid by the State for the General Employee, Department of Conservation, Legislator and Statewide Elected Officials retirement plan for fiscal year 1997 was 10.66% of the membership payroll. The benefits provided to judges and ALJs are funded separately. Judges' benefits are paid by the State on a "pay-as-you-go" basis, while the benefits for ALJs are actuarially funded by the State. The State contributed 22.60% of the ALJs' payroll during fiscal year 1997.

MOSERS administers basic and optional term life insurance plans for eligible state employees and retirees.

Active Members*

As of 6/30/97

Requirement

Basic Life Insurance

\$15,000 basic life insurance while actively employed

Actively employed in an eligible state position resulting in membership in MOSERS.

Optional Life Insurance

Additional life insurance may be purchased in multiples of annual salary - 1) one times annual salary; 2) two times annual salary; 3) three times annual salary (not to exceed \$400,000); or 4) flat amount in multiples of \$1,000 (not to exceed 3 times annual salary or \$400,000).

Actively employed in an eligible state position resulting in membership in MOSERS.

*Terminating employees may convert coverage up to the amount they had as an active employee at individual rates.

Retired Members

As of 6/30/97

Requirement

Basic Life Insurance at Retirement

\$5,000 basic life insurance

Must retire directly from active employment.

Optional Life Insurance at Retirement

An employee may retain up to the lesser of \$60,000 or the amount of optional life insurance coverage held at time of retirement at the group rate, and may convert their remaining optional life insurance at individual rates.

Must retire directly from active employment.

Long - Term Disability (LTD) Plan

MOSERS administers the LTD plan for eligible state employees.

Plan

Provision

**General Employees,
Department of Conservation, Legislators
and Statewide Elected Officials***

Eligible participants receive 60% of their compensation minus primary social security, worker's compensation and employer provided income. Benefits commence after 120 days of disability or after sick leave expires, whichever occurs last. LTD benefits cease upon the earliest of when the disability ends, when retirement benefits begin, when the member returns to work, or upon the member's death.

Water Patrol

Uniformed members who are eligible for statutory occupational disability receive benefits equal to 50% of compensation at the time of disability. For nonoccupational disabilities, eligible participants receive the same benefit as general employees.

Judges

In addition to the disability benefits provided to general employees, judges also receive benefits under the State constitution. Participants receive 50% of salary until the current term expires.

*Members of MOSERS in a position normally requiring 1,000 hours of work a year are covered under the LTD plan, unless they work for a State agency which has its own LTD plan.

Changes in Plan Provisions

On May 13, 1997, Governor Carnahan signed into law House Bill 356 – legislation which materially alters the survivor benefit, cost-of-living allowance (COLA), deferred retirement lump sum option, and optional life insurance provisions affecting future benefits for plan participants. The following is a summary of the changes in plan provisions:

Unreduced Joint & 50% Survivor Option

As of September 1, 1997, an unreduced joint & 50% survivor option will become the normal form of payment for members who terminate employment, retire on or after October 1, 1984, and are married at the time of their retirement. This provision also allows for retroactive onetime payments to qualifying retirees who are alive on the effective date of the bill who previously elected a joint and survivor option. This law change provides benefit equity between general state employees and employees of the Department of Conservation.

COLA

Effective August 28, 1997, retirees and beneficiaries will receive annual COLAs on their benefits beyond the 65% cumulative cap. Retirees and beneficiaries currently receive COLAs which provide for a 4% annual minimum increase until reaching the 65% cap. Under the new law, upon reaching the 65% limitation, the plan will provide annual COLAs equal to 80% of the percentage increase in the Consumer Price Index (CPI) for the previous year subject to a 5% annual maximum and no annual minimum for the balance of the benefit recipient's life. Current retirees, beneficiaries and active MOSERS' members employed prior to August 28, 1997 will be eligible to receive COLAs during their retirement under this structure. New employees hired after August 28, 1997 will, upon retiring, receive COLAs based on 80% of the percentage increase in the CPI for the previous year up to a 5% annual maximum increase with no annual minimum and no cumulative maximum.

Deferred Retirement Lump Sum Option

This option allows eligible members who have terminated state employment to receive the present value of their future retirement benefit in a lump sum in lieu of a monthly benefit at retirement age. As of August 28, 1997, the option will be available to Judges, Administrative Law Judges and Legal Advisors. (The option previously was only available to General State Employees, Legislators, and Statewide Elected Officials.) Additionally, a member terminating state employment on or after August 28, 1997, will not be eligible for the lump sum option if the present value of the benefit exceeds \$10,000 on the date of application. Lastly, in order to qualify for the option, a member must have separated from service for a period of at least six months.

Optional Life Insurance

Effective January 1, 1998, the maximum amount of optional life insurance coverage available to active employees will increase from three times annual salary to six times annual salary, up to a maximum of \$800,000. The law also enables MOSERS to make dependent spouse and children coverage available to eligible members. These changes address the desire expressed by many state employees to have additional life insurance coverage available.

All provisions of House Bill 356 were endorsed by the Governor's Ad Hoc Task Force on Total Compensation – a group charged with the responsibility of formulating and recommending policy and guiding decisions relating to total compensation. Their overall goal is to ensure that future pay and benefit proposals are equitable for all state employees.

Missouri State Employees' Plan

Actuarial Present Values

June 30, 1997

Actuarial Present Value, June 30, 1997	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active Members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	\$ 3,129,093,630	\$ 755,251,782	\$ 2,373,841,848
Disability benefits likely to be paid to present active members who become totally and permanently disabled	88,889,760	40,266,400	48,623,360
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	101,492,528	34,499,599	66,992,929
Separation benefits likely to be paid to present active members			
Refunds of member contributions	448,501		
Deferred benefits	409,772,929		
Total	410,221,430	180,972,971	229,248,459
Active Member Totals	\$ 3,729,697,348	\$ 1,010,990,752	2,718,706,596
Members on Leave of Absence & LTD			
Service retirement benefits based on service rendered before the valuation date			51,746,671
Terminated Vested Members			
Service retirement benefits based on service rendered before the valuation date			160,627,787
Retired Lives			
Onetime retroactive payments to members who previously retired with a reduced joint & survivor benefit as stipulated by H.B. 356			8,540,448
Total Actuarial Accrued Liability			4,484,047,801
Assets used in Valuation			3,580,974,502
Unfunded Actuarial Accrued Liability			\$ 903,073,299

*Administrative Law Judges' and Legal Advisors' Plan**Actuarial Present Values*

June 30, 1997

Actuarial Present Value, June 30, 1997	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
<i>Active Members</i>			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	\$ 5,567,738	\$ 2,356,495	\$ 3,211,243
Disability benefits likely to be paid to present active members who become totally and permanently disabled	120,979	81,107	39,872
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	322,483	221,101	101,382
Separation benefits likely to be paid to present active members	1,373,600	944,519	429,081
Active member totals	<u>\$ 7,384,800</u>	<u>\$ 3,603,222</u>	<u>3,781,578</u>
<i>Members on Leave of Absence and LTD</i>			
Service retirement benefits based on service rendered before the valuation date			0
<i>Terminated Vested Members</i>			
Service retirement benefits based on service rendered before the valuation date			1,075,646
<i>Retired Lives</i>			
Total actuarial accrued liability			<u>6,569,957</u>
Assets used in valuation			<u>11,427,181</u>
Unfunded actuarial accrued liability			<u>8,864,395</u>
			<u>\$ 2,562,786</u>

Judicial Plan
Actuarial Present Values
June 30, 1997

Actuarial Present Value, June 30, 1997	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active Members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	\$ 126,021,607	\$ 43,231,390	\$ 82,790,217
Disability benefits likely to be paid to present active members who become totally and permanently disabled	2,060,251	1,464,938	595,313
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	4,669,354	2,538,066	2,131,288
Separation benefits likely to be paid to present active members			
Refunds of member contributions			
Deferred benefits			
Total	0	0	0
Active Member Totals	\$ 132,751,212	\$ 47,234,394	85,516,818
Members on Leave of Absence & LTD			
Service retirement benefits based on service rendered before the valuation date			740,062
Terminated Vested Members			
Service retirement benefits based on service rendered before the valuation date			11,553,514
Retired Lives			
Total Actuarial Accrued Liability			99,662,179
Assets used in Valuation			197,472,573
Unfunded Actuarial Accrued Liability			0
			\$ 197,472,573



Statistical Section



Plan Membership

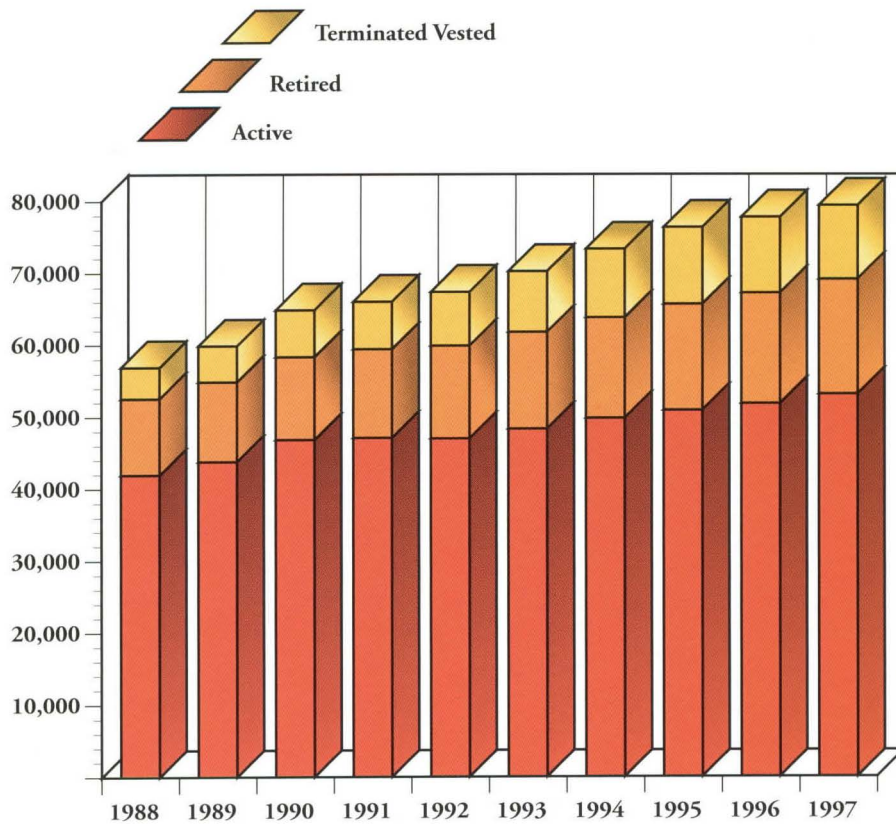
Membership in the pension trusts administered by MOSERS increased by 1,636. Active members increased by 1,310, retired members increased by 601, and terminated vested members decreased by 275. Membership data for the last ten years ended June 30, 1997, can be found on page 95.

Net Assets vs. Liabilities

The charts on page 96 graphically represent the funding progress of the pension plans for the ten years ended June 30, 1997. The chart on the top of page 96 compares the net assets held in trust for pension benefits to pension benefit liabilities. The top line represents the accrued liabilities of the plans funded on an actuarial basis and the bottom segment represents the net assets accumulated to fund those liabilities (identified by type of assets). The spread between the total accrued liabilities and the total net assets represents the unfunded actuarial accrued liabilities. The chart on the bottom of page 96 represents the funded ratio of the Missouri State Employees Plan for the ten years ended June 30, 1997.

The existence of the unfunded actuarial accrued liabilities is not necessarily an indication of financial problems, but the fluctuations are important and should be monitored and controlled.

Missouri State Employees' Retirement System
Membership in Retirement Plans
 Last Ten Fiscal Years



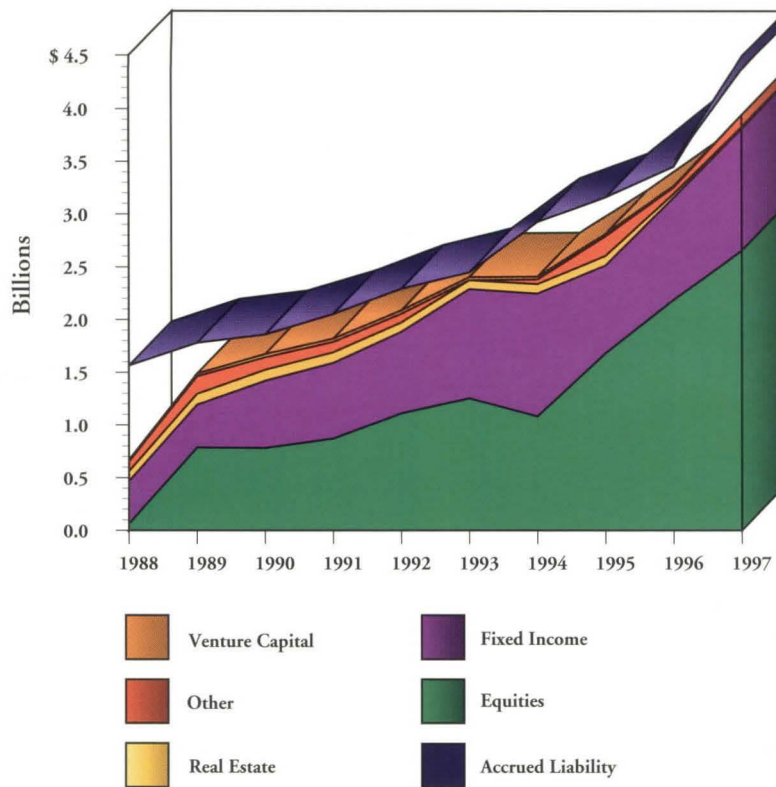
Fiscal Year	Active	Retired	Terminated Vested
1988	41,944	10,612	4,356
1989	43,787	11,090	4,997
1990	46,834	11,495	6,544
1991	47,105	12,307	6,610
1992	46,999	12,876	7,484
1993	48,343	13,441	8,423
1994	49,826	13,988	9,499
1995	50,918	14,747	10,673
1996	51,837	15,362	10,548
1997	53,147	15,963	10,273

Missouri State Employees' Retirement System

Pension Trust Funds

Net Assets vs. Pension Liabilities

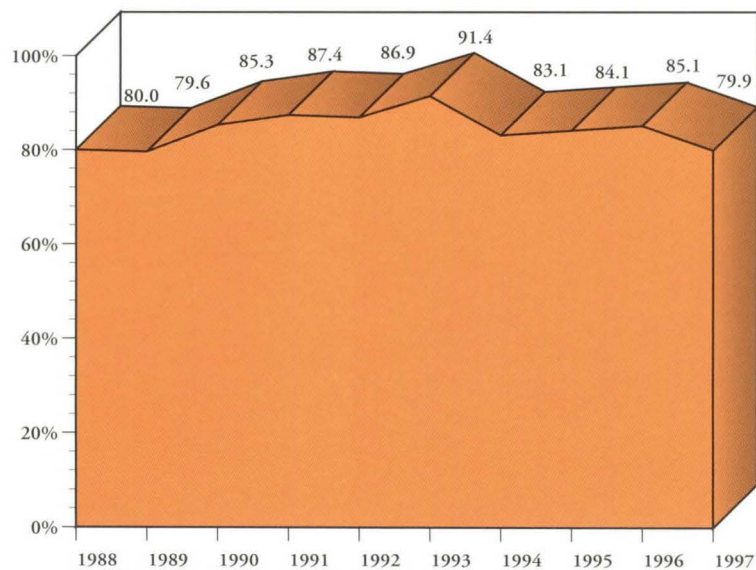
Ten Years Ended June 30, 1997



Missouri State Employees' Retirement System

Valuation Assets as Percents of Pension Liabilities

Ten Years Ended June 30, 1997



Pension Trust Funds
Ten Year Historical Data

Missouri State Employees' Plan

Additions By Source

Fiscal Year	Employer Contribution Rate	Employer Contributions As a Percent of Covered Payroll	Employer Contribution Amount	Employer Contributions Service Transfers	Member Payments For Purchasing Service Credit	State Reimbursements of Non-funded Benefits	Net Investment Income	Other	Total
1988	12.10%	11.69%	\$ 96,412,071	\$ 52,223,619	\$ 596,649	\$ 4,703,479	\$ (11,094,897)	\$ 26,469	\$ 142,867,390
1989	9.90	9.96	89,177,022	4,274,011	376,701	407,569	209,858,847	20,901	304,115,051
1990	9.90	9.87	98,135,838	770,697	715,433	0	140,370,991	204,872	240,197,831
1991	9.90	10.01	102,854,950	8,459,034	446,286	0	95,945,092	9,569	207,714,931
1992	9.65	9.77	100,672,145	112,988	321,713	0	230,191,287	6,560	331,304,693
1993	9.68	9.69	102,988,219	117,466	547,961	0	293,481,441	6,047	397,141,134
1994	9.49	9.48	106,681,308	78,554	765,977	0	(15,865,184)	411,469	92,072,124
1995	9.04	9.08	108,902,372	170,081	753,984	0	393,915,517	0	503,741,954
1996	10.69	10.81	137,007,112	135,598	726,527	0	453,955,454	9,129	591,833,820
1997	10.66	10.77	146,383,371	2,238,691	640,590	0	653,958,265	235,279	803,456,196

Missouri State Employees' Plan

Deductions By Type

Fiscal Year	Benefits	Contribution Refunds	Service Transfers	Administrative	Legal Settlements	Total
1988	\$ 39,050,127	\$ 25,889	\$ 0	\$ 1,180,163	\$ 0	\$ 40,256,179
1989	48,569,419	4,298	0	1,496,855	0	50,070,572
1990	54,720,308	11,169	0	1,831,797	0	56,563,274
1991	60,796,849	19,297	0	2,318,369	0	63,134,515
1992	67,850,658	12,508	0	2,333,634	0	70,196,800
1993	75,606,809	22,007	0	2,441,067	0	78,069,883
1994	84,482,785	1,598	16,252	3,336,941	0	87,837,576
1995	96,198,413	0	0	3,060,262	0	99,258,675
1996	115,627,764	0	30,327	3,221,578	23,148,000	142,027,669
1997	126,941,341	102	2,091,233	3,563,018	0	132,595,694

Pension Trust Funds
Ten Year Historical Data

Administrative Law Judges' and Legal Advisors' Plan

Additions By Source

Fiscal Year	Employer Contribution Rate	Employer Contributions As a Percent of Covered Payroll	Employer Contribution Amount	Net Investment Income	Other	Total
1988	24.98%	25.50%	\$ 359,066	\$ (22,856)	\$ 105	\$ 336,315
1989	24.98	27.44	513,199	499,463	78	1,012,740
1990	30.17	31.66	605,577	387,076	530	993,183
1991	26.61	27.20	527,648	254,734	25	782,407
1992	25.51	29.00	500,250	601,626	0	1,101,876
1993	27.77	28.42	548,707	766,887	16	1,315,610
1994	24.18	23.97	502,019	(45,152)	1,056	457,923
1995	22.50	23.00	498,233	986,426	0	1,484,659
1996	21.16	20.26	548,276	1,122,107	23	1,670,406
1997	22.60	22.78	652,709	1,614,183	34	2,266,926

Administrative Law Judges' and Legal Advisors' Plan

Deductions By Type

Fiscal Year	Benefits	Administrative	Total
1988	\$ 104,757	\$ 2,315	\$ 107,072
1989	163,327	3,734	167,061
1990	191,534	4,734	196,268
1991	317,374	6,045	323,419
1992	399,463	6,085	405,548
1993	502,310	6,401	508,711
1994	565,082	8,566	573,648
1995	600,650	7,663	608,313
1996	633,527	7,963	641,490
1997	616,859	8,795	625,654

Pension Trust Funds
Ten Year Historical Data

Judicial Plan

Additions By Source

Fiscal Year	Employer Contribution Rate	Employer Contributions As a Percent of Covered Payroll	Employer Contribution Amount
1988	Non-funded	19.36%	\$ 4,380,973
1989	Non-funded	22.69	5,142,127
1990	Non-funded	23.87	5,838,700
1991	Non-funded	25.53	6,572,690
1992	Non-funded	27.78	7,335,579
1993	Non-funded	29.01	7,728,160
1994	Non-funded	30.38	8,205,509
1995	Non-funded	32.84	9,188,599
1996	Non-funded	33.13	9,907,505
1997	Non-funded	33.00	10,450,270

Judicial Plan

Deductions By Type

Fiscal Year	Benefits
1988	\$ 4,380,973
1989	5,142,127
1990	5,838,700
1991	6,572,690
1992	7,335,579
1993	7,728,160
1994	8,205,509
1995	9,188,599
1996	9,907,505
1997	10,450,270

***Benefit Expenses by Type
Last Ten Fiscal Years***

	FY97	FY96	FY95	FY94	FY93
Retirement	\$ 112,523,766	\$ 102,257,950	\$ 88,532,996	\$ 78,018,158	\$ 70,002,701
Survivor	7,036,816	6,001,028	5,146,981	4,202,875	3,533,845
Disability	310,693	347,589	379,382	436,022	484,806
Non-funded	0	0	0	0	0
Lump Sum Payment	4,258,380	4,494,184	0	0	0
Judges	10,450,270	9,907,505	9,188,599	8,205,509	7,728,160
Legislators	2,811,686	2,527,014	2,139,053	1,825,730	1,585,456
Administrative Law Judges	616,859	633,527	600,650	565,082	502,310

	FY92	FY91	FY90	FY89	FY88
Retirement	\$ 62,868,259	\$ 56,451,361	\$ 50,622,879	\$ 44,961,595	\$ 30,597,097
Survivor	3,081,500	2,566,480	2,178,282	1,653,244	1,365,209
Disability	566,322	659,961	996,712	1,210,440	1,767,075
Non-funded	0	0	0	0	4,703,479
Lump Sum Payment	0	0	0	0	0
Judges	7,335,579	6,572,690	5,838,700	5,142,127	4,380,973
Legislators	1,334,577	1,119,047	922,435	714,248	617,267
Administrative Law Judges	399,463	317,374	191,534	163,327	104,757

Missouri State Employees' Retirement System
Benefits Payable June 30, 1997
Tabulated by Option and Type of Benefit

Type of Benefit	Number	Annual Funded Benefits	Average Annual Benefits
<i>Service Retirement</i>			
Life Annuity	11,012	\$ 82,728,696	\$ 7,513
50% Joint and Survivor	1,171	17,627,580	15,053
75% Joint and Survivor	21	178,932	8,521
100% Joint and Survivor	1,551	17,365,368	11,196
5 Year Certain and Life	152	1,289,112	8,481
10 Year Certain and Life	160	1,227,684	7,673
Survivor Beneficiary	651	4,001,268	6,146
Total	14,718	124,418,640	8,454
<i>Disability Retirement</i>			
	77	301,452	3,915
<i>Death-in-Service</i>			
	814	3,744,192	4,600
Grand Totals	15,609	\$ 128,464,284	\$ 8,230

Average Monthly Benefit Amounts
Six Years Ended June 30, 1997

	FY92	FY93	FY94	FY 95	FY96	FY97
<i>Regular</i>						
Member	\$ 484	\$ 516	\$ 546	\$ 623	\$ 661	\$ 703
Survivor	296	315	341	373	403	437
Disability	254	262	281	303	321	325
<i>Legislators</i>						
Member	1,046	1,055	1,083	1,350	1,380	1,401
Survivor	411	424	447	501	579	571
<i>ALJs</i>						
Member	2,536	2,639	2,659	2,795	2,907	2,929
Survivor	917	917	917	1,009	1,049	1,303
<i>Judges</i>						
Member	2,867	3,006	3,127	3,248	3,361	3,517
Survivor	866	882	918	1,001	1,095	1,186
Disability	0	0	0	0	3,169	3,359

Missouri State Employees' Plan
Retirees and Beneficiaries as of June 30, 1997
Tabulated by Year of Retirement

Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
1963 & Prior	14	\$ 62,232	\$ 370
1964	9	55,380	513
1965	15	71,544	397
1966	16	96,588	503
1967	17	89,988	441
1968	29	156,720	450
1969	40	235,248	490
1970	61	339,684	464
1971	61	320,892	438
1972	112	655,080	487
1973	206	1,146,276	464
1974	190	937,596	411
1975	223	1,338,312	500
1976	296	1,631,724	459
1977	292	1,791,000	511
1978	262	1,468,668	467
1979	266	1,574,040	493
1980	325	2,085,084	535
1981	432	2,845,872	549
1982	512	3,464,856	564
1983	509	3,552,684	582
1984	466	3,171,552	567
1985	555	3,934,404	591
1986	620	4,305,528	579
1987	687	5,434,464	659
1988	789	7,161,120	756
1989	764	6,866,532	749
1990	747	7,097,784	792
1991	943	9,185,532	812
1992	903	8,432,916	778
1993	1,096	10,339,056	786
1994	991	8,448,636	710
1995	1,340	12,870,324	800
1996	1,164	10,690,512	765
1997	657	6,606,456	838
	15,609	\$ 128,464,284	\$ 686

Missouri State Employees' Plan
Total Benefits Payable June 30, 1997
Tabulated by Attained Ages of Benefit Recipients

Attained Age	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
Under 20					46	\$ 79,572	46	\$ 79,572
20-24					6	16,512	6	16,512
25-29					3	18,300	3	18,300
30-34					10	53,964	10	53,964
35-39					21	81,696	21	81,696
40-44			2	\$ 4,980	46	226,428	48	231,408
45-49			11	42,732	91	465,552	102	508,284
50-54	154	\$ 2,127,840	10	33,324	95	537,780	259	2,698,944
55-59	771	8,711,916	22	90,048	136	936,528	929	9,738,492
60-64	1,931	19,581,588	30	118,716	188	1,093,200	2,149	20,793,504
65-69	3,307	29,886,648	2	11,652	221	1,204,104	3,530	31,102,404
70-74	3,137	26,758,152			196	1,125,276	3,333	27,883,428
75-79	2,293	17,737,440			192	966,060	2,485	18,703,500
80-84	1,389	9,173,868			133	647,724	1,522	9,821,592
85-89	757	4,447,512			55	225,804	812	4,673,316
90-94	266	1,621,452			23	60,144	289	1,681,596
95	25	162,504			2	5,712	27	168,216
96	13	87,564			1	1,104	14	88,668
97	11	49,728					11	49,728
98	3	12,276					3	12,276
99	2	14,400					2	14,400
100	3	16,776					3	16,776
101	1	2,280					1	2,280
102	3	20,064					3	20,064
103	1	5,364					1	5,364
Totals	14,067	\$ 120,417,372	77	\$ 301,452	1,465	\$ 7,745,460	15,609	\$ 128,464,284

Average Age at Retirement 62.7 years
Average Age Now 71.2 years

Administrative Law Judges' and Legal Advisors' Plan
Total Benefits Payable June 30, 1997
Tabulated by Attained Ages of Benefit Recipients

Attained Age	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
50-54					1	\$ 16,656	1	\$ 16,656
55-59	1	\$ 30,936					1	30,936
60-64					1	16,128	1	16,128
65-69	3	90,108			1	20,280	4	110,388
70-74	6	232,812			1	4,332	7	237,144
75-79	2	76,596			2	34,572	4	111,168
80-84	2	63,216			1	18,900	3	82,116
Totals	14	\$ 493,668	0	\$ 0	7	\$ 110,868	21	\$ 604,536

Average Age at Retirement 65.8 Years
Average Age Now 71.4 Years

Judicial Plan
Total Benefits Payable June 30, 1997
Tabulated by Attained Ages of Benefit Recipients

Attained Age	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
40-44					1	\$ 18,984	1	\$ 18,984
45-49					3	51,420	3	51,420
50-54					11	202,824	11	202,824
55-59					3	47,220	3	47,220
60-64	15	\$ 522,984			3	60,936	18	583,920
65-69	34	1,282,992			10	141,888	44	1,424,880
70-74	64	2,856,312			20	368,796	84	3,225,108
75-79	42	1,837,644			16	230,448	58	2,068,092
80-84	30	1,345,104			27	342,060	57	1,687,164
85-89	15	614,784			21	208,092	36	822,876
90-94	6	244,536			10	100,812	16	345,348
95 and Over					2	23,232	2	23,232
Totals	206	\$ 8,704,356	0	\$ 0	127	\$ 1,796,712	333	\$ 10,501,068

Average Age at Retirement 66.5 years
Average Age Now 75.4 years

Internal Service Fund

Ten Year Historical Data

Revenues By Source

Fiscal Year	Employer Contributions	Member Contributions	Investment Income	Optional Life Premium Receipts	Basic Life Premium Receipts	LTD Premium Receipts	HMO Premium Receipts	Premium Retention for Operating Expenses	Miscellaneous Income	Settlements net of Legal Expense	Other	Total
1988	\$ 33,613,800	\$ 14,744,801	\$ 791,492	\$ **	\$ **	\$ **	\$ **	\$ **	\$ **	\$ 0	\$ 18,072,125	\$ 67,222,218
1989	45,111,161	15,548,221	898,264	3,332,531	1,885,927	5,282,647	12,433,348	304,088	(26)	0	0	84,796,161
1990	46,378,087	15,658,445	1,927,530	3,968,140	2,164,340	5,369,083	16,109,220	347,313	742	0	0	91,922,900
1991	48,641,390	16,954,753	2,191,155	4,305,953	2,243,495	4,966,782	14,598,356	357,329	(2,893)	0	0	94,256,320
1992	51,919,719	18,802,967	2,114,338	4,412,743	2,268,739	4,938,383	12,663,887	347,710	542	0	0	97,469,028
1993	62,080,566	21,380,567	693,202	4,551,873	2,365,344	5,003,490	16,429,142	365,106	1,340	0	0	112,870,630
1994	37,918,127	11,513,810	384,795	4,862,255	2,520,938	5,265,812	8,308,277	355,642	3,534	0	0	71,133,190
1995	0	0	79,215	5,535,334	2,801,939	5,650,682	0	275,646	0	205,411	0	14,548,227
1996	0	0	81,687	5,924,096	2,037,618	6,148,535	0	396,889	0	0	0	14,588,825
1997	0	0	50,608	6,319,662	3,224,533	6,711,653	0	379,683	1			16,686,140

Expenses By Type

Fiscal Year	Medical Claims*	Administrative*	Optional Life Premium Disbursements	Basic Life Premium Disbursements	LTD Premium Disbursements	HMO Premium Disbursements	Premium Refunds	Basic Life Death Benefits	Other	Total
1988	\$ 54,210,305	\$ 3,279,229	\$ **	\$ **	\$ **	\$ **	\$ **	\$ **	\$ 17,471,794	\$ 74,961,328
1989	50,881,898	2,985,644	3,309,173	1,860,544	5,281,829	12,379,289	235,973	56,000	0	76,990,350
1990	49,407,467	4,933,409	3,940,775	2,163,524	5,366,952	16,040,850	225,735	6,000	0	82,084,712
1991	67,969,018	5,814,424	4,269,303	2,242,193	5,915,818	14,537,336	212,825	2,000	0	100,962,917
1992	83,674,959	5,291,117	4,375,115	2,267,723	5,136,992	12,609,838	227,967	0	0	113,583,711
1993	83,281,386	6,055,713	4,514,821	2,365,344	5,002,115	16,386,136	267,792	0	0	117,873,307
1994	23,005,156	3,336,388	4,825,723	2,519,343	5,264,677	8,284,843	152,961	0	0	47,389,091
1995	0	349,835	5,482,421	2,799,469	5,648,930	0	57,161	5,000	0	14,342,816
1996	0	330,702	5,874,317	3,023,323	6,146,610	0	53,652	0	0	15,428,604
1997	0	363,276	6,269,758	3,222,327	6,708,212	0	55,550	0	0	16,619,123

* The Missouri State Employees Medical Care Plan operations were transferred to the Missouri Consolidated Health Care Plan January 1, 1994.

** Detail was unavailable for 1988, the amounts are included in the category of Other.

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